Annual Report 2011

International Ferro Metals Limited (IFM) is a producer of ferrochrome, an essential ingredient in the production of stainless steel, which the Company sources from chromite ore located in South Africa's minerals-rich Bushveld Igneous Complex. IFM has ferrochrome processing operations on site and is listed on the London Stock Exchange (LSE: IFL).

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Business overview

This section provides an overview of the Company's business activities during the year, and includes information on the ferrochrome market, sustainable development and corporate governance.

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Annual financial report

Details on the Company's financial performance for the year can be found in this section, including the directors' and remuneration reports, all applicable financial statements, and the attending notes.

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HIGHLIGHTS
FOR THE YEAR

Sales revenue increased 10% to ZAR1.58 billion

Financial highlights

- Sales revenue increased 10% to ZAR1.58 billion
- Higher benchmark prices impacted by lower realised prices and stronger Rand
- Revenue increase achieved due to ore sales of ZAR179 million, despite slightly lower FeCr sales volumes
- Ore sales of 288kt due to furnace shutdowns and improved mining operations
- Rand production costs for the year decreased by 0.5% from prior year
  - H2 Rand production costs 7.6% below H1
  - Eskom prices increased 23.4% on average
- Net borrowings at 30 June 2011 of ZAR248 million
- No dividend to be paid for the year

Operational highlights

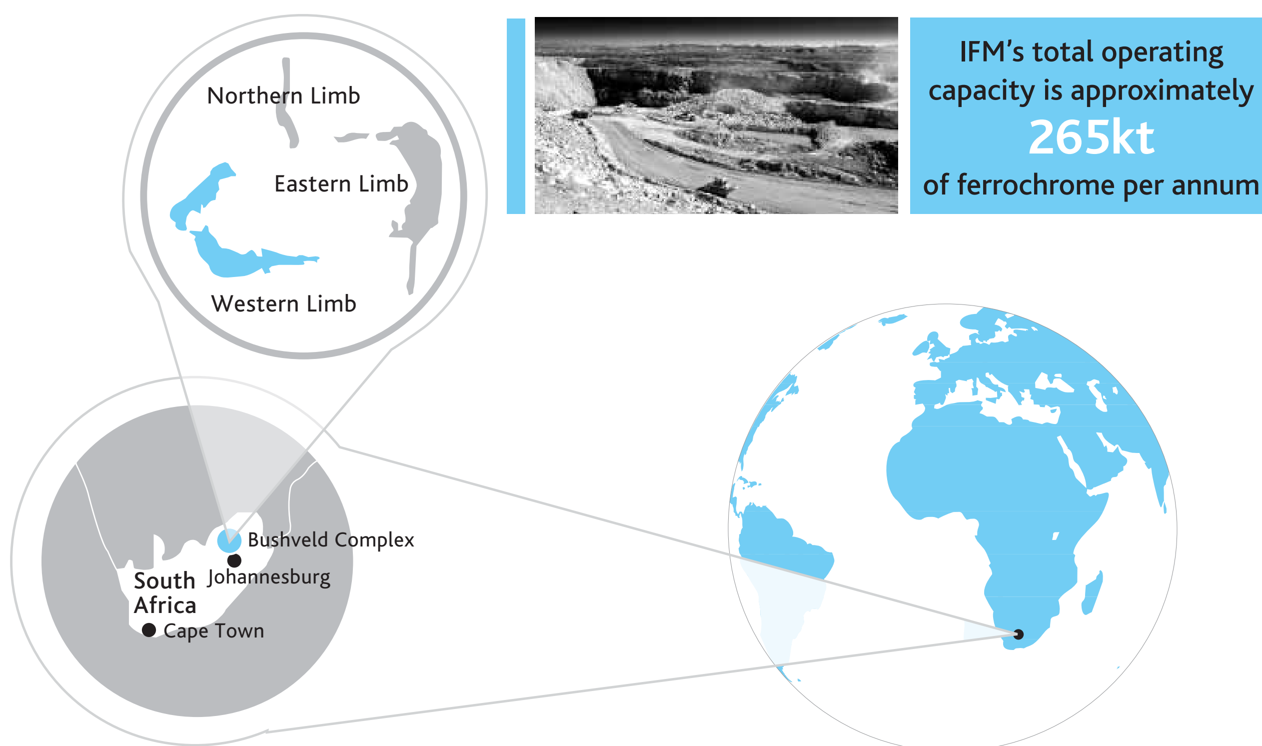
- Production down 3% from 200kt to 195kt due to furnace roof leaks and planned shut downs during furnace roof upgrade project
- Sky Chrome open pit mining operations commenced
- Ore beneficiation plant achieved record production in both volume and recovery for the year
- Pelletising and sintering plant achieved record production of 379kt compared to 366kt in the prior year
- UG2 chrome recovery plant construction on track to deliver 15ktpm from January 2012

Post-period highlights

- Furnace roof upgrade project now complete; furnace 1 at full load and furnace 2 expected to reach full load by mid-October
- Co-generation plant restarted and seven of 10 engines currently operating at 65% capacity
- New Chief Executive Officer, Christiaan Jordaan, appointed from 1 August 2011

	FY2011	FY2010	% change
FeCr production (tonnes)	**194,869**	200,440	(2.78%)
FeCr sales (tonnes)	**186,963**	190,432	(1.82%)
	ZAR'000	**ZAR'000**	
Sales revenue	**1,575,459**	1,433,595	9.90%
Cost of goods sold	**(1,619,398)**	(1,424,817)	13.66%
Gross profit/(loss)	**(43,939)**	8,778	
EBITDA	**(71,911)**	(58,854)	
Net profit/(loss) after tax	**(134,951)**	(85,806)	
EPS (cents per share)	**(24)**	(15)	

CORPORATE PROFILE



International Ferro Metals Limited (IFM) is an integrated ferrochrome producer listed on the London Stock Exchange (LSE: IFL).

The Company's mission is to develop and operate sustainable, profitable and efficient mining and mineral processing operations, with the emphasis being on the production of mineral products for the international steel industry. In the process, the Company strives to utilise ethically, environmentally and socially responsible methods.

IFM produces ferrochrome from chromite ore located in the Bushveld Igneous Complex, one of the world's richest mineral deposits and largest ferrochrome producing regions in the world. IFM's Lesedi chromite mine and integrated beneficiation and smelting operations are situated at Buffelsfontein, 100km north-west of Johannesburg, South Africa.

Ferrochrome is an essential ingredient in stainless steel production. The demand for ferrochrome is expected to be strong in the long term owing to industrial growth and demand for stainless steel, particularly in China. Unlike nickel, ferrochrome cannot be substituted in the production of stainless steel due to its unique properties.

The total operating capacity of IFM is approximately 265kt of ferrochrome per annum. In 2008, IFM embarked on the second phase expansion feasibility study to produce 660kt of ferrochrome per annum. The Company has updated the feasibility study for alloy expansion of some 250ktpa. This update was completed in September 2011. The scope of the feasibility study included:

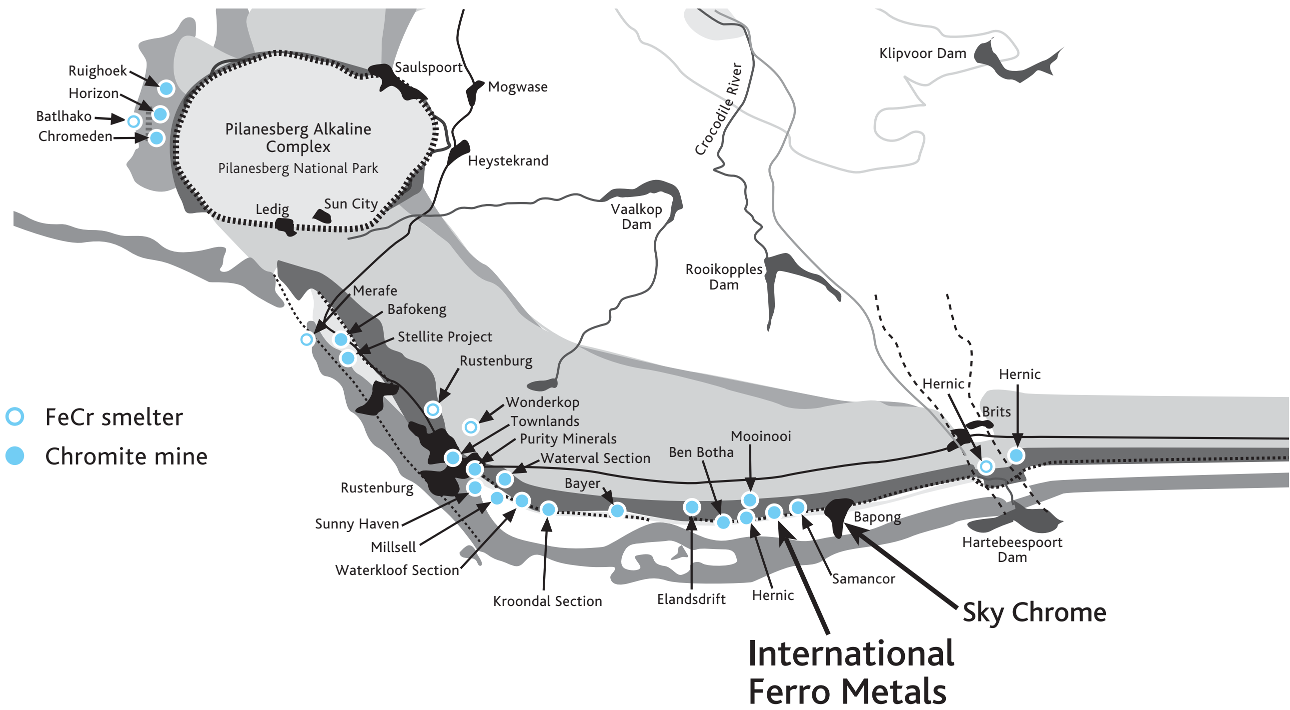
- the phased addition of two 70MW DC furnaces;
- the supply of power, ore and reductant;
- the processing of water; and
- legislative environmental approvals.

All of the above are key to expansion. The expansion is planned to coincide with the power supply increase from Eskom and applicable market conditions.

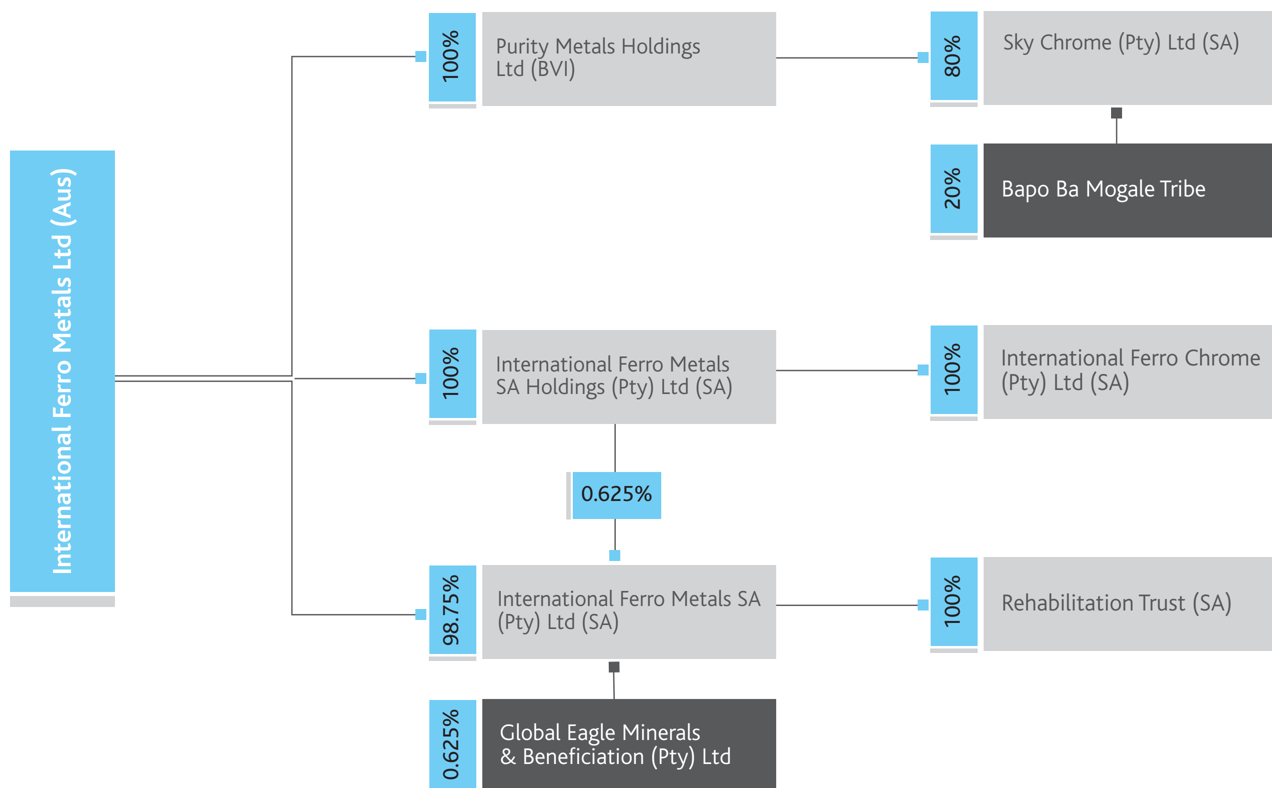
IFM's strategic relationship with its major shareholder, Jiuquan Iron & Steel Group Company (JISCO), provides a valuable off-take agreement for its product. The Company is also a party to an off-take agreement with CMC Cometals, a New York-listed metals trader.

In August 2009, the Company embarked on the construction of its Clean Development Mechanism (CDM)-compliant electricity co-generation plant which was completed on time and within budget. IFM aims to generate an average of approximately 13.7MW, 11% of its overall electricity requirements, which will reduce costs and allow the Company to achieve 100% production capacity once Eskom's electricity constraints are legislated.

In addition, the directors intend to evaluate the various corporate opportunities that exist to take advantage of the Company's position and commercial relationships in the ferroalloys industry. These opportunities may include expansion beyond the ferrochrome market.



Group structure



FERROCHROME
PROCESS

Ferrochrome production involves three major processing steps:

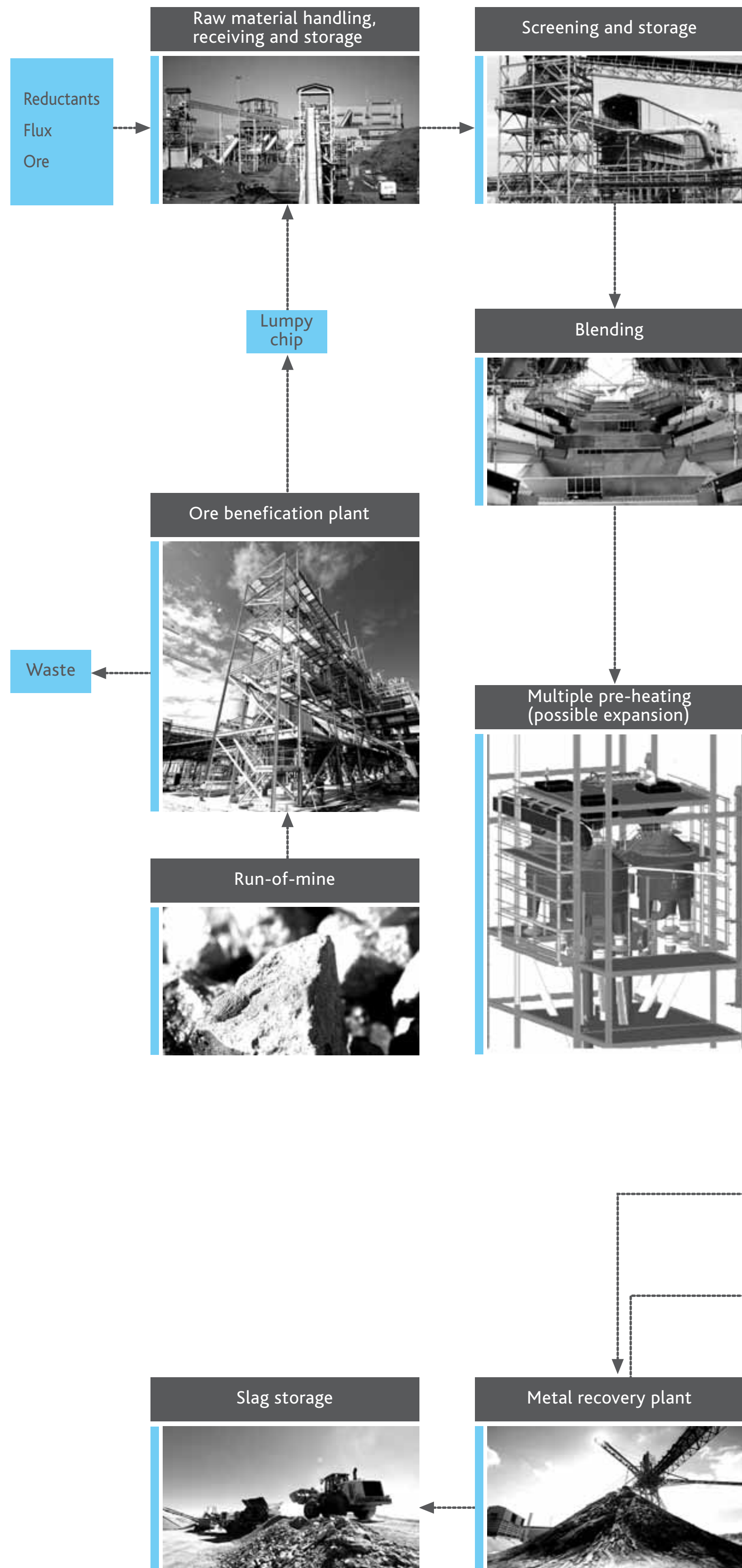
- **beneficiation;**
- **pelletising and sintering; and**
- **smelting.**

Beneficiation:

- Crushing, screening and gravity separate the ore to produce concentrate suitable for pelletising and sintering.
- The beneficiation process yields lumpy ore and fines concentrate.
- The lumpy ore is ready for the furnace and does not require additional processing.
- The fines are pelletised and sintered to produce hard porous pellets, which can then be smelted.

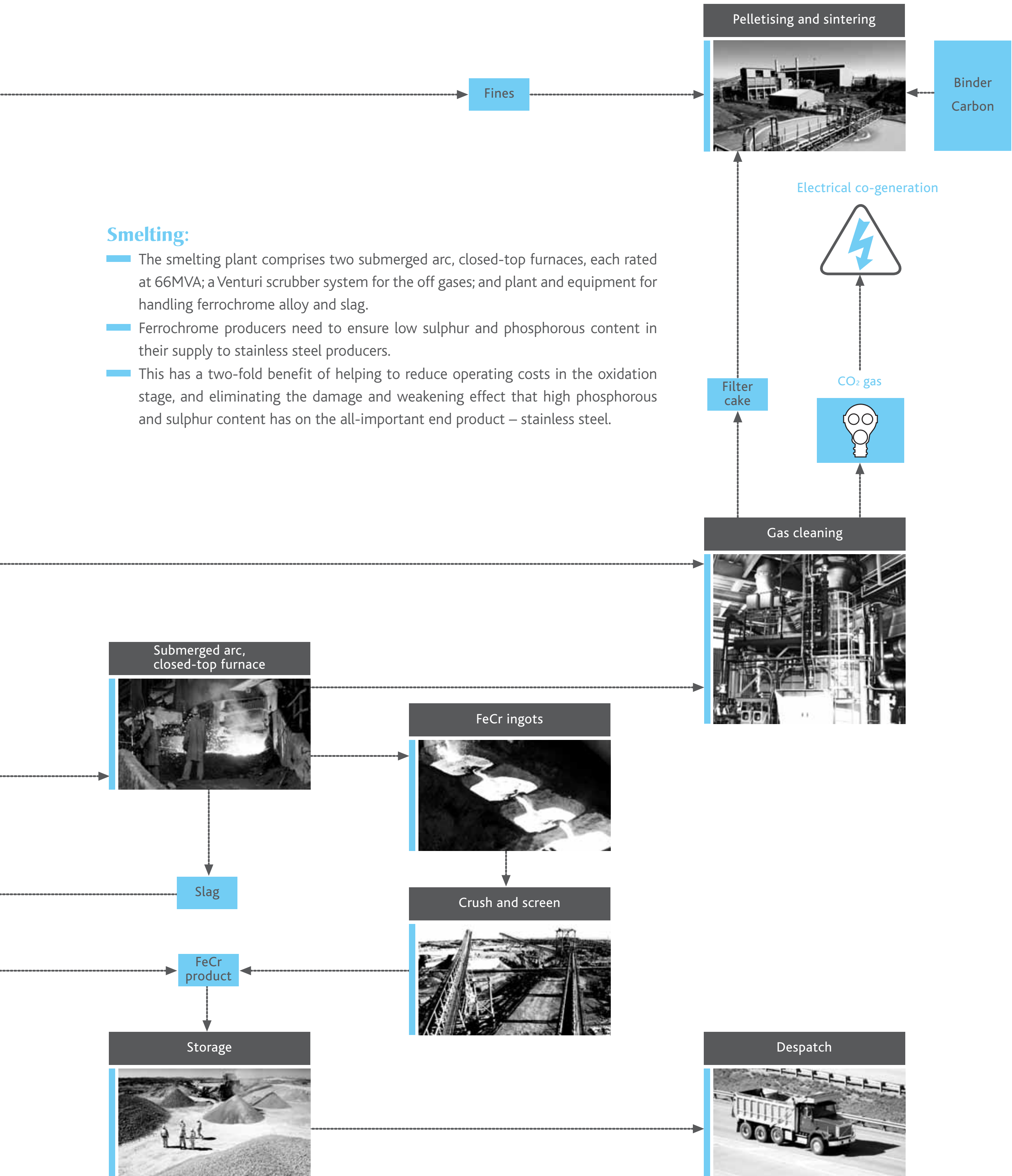
Pelletising and sintering:

- The pelletising and sintering process involves grinding the chromite concentrate in a ball mill; pelletising a mixture of concentrate, coke, fines and bentonite, which acts as a binder; and heating the pellets in a steel belt sintering furnace.
- In the sintering process, the pellets are heated to form strong bonds between the chromite grains to yield and agglomerate the material.
- The sintered material is sized and then used as feed to the furnace.
- The world-renowned engineering and technology supply company, Outukumpu (Oututec), provided the pelletising and sintering technology to IFM. This technology has been proven at a number of sites, including other ferrochrome operations in South Africa.
- It is an extremely energy-efficient process that produces strong, high-quality pellets with low binder requirements and high chrome content.
- Sintering ensures that pre-oxidation takes place.
- This modifies the crystal structure and makes the pellets more readily reducible in the smelting furnace.



Smelting:

- The smelting plant comprises two submerged arc, closed-top furnaces, each rated at 66MVA; a Venturi scrubber system for the off gases; and plant and equipment for handling ferrochrome alloy and slag.
- Ferrochrome producers need to ensure low sulphur and phosphorous content in their supply to stainless steel producers.
- This has a two-fold benefit of helping to reduce operating costs in the oxidation stage, and eliminating the damage and weakening effect that high phosphorous and sulphur content has on the all-important end product – stainless steel.



Chairman's STATEMENT

Sky Chrome is currently producing **20kt** run-of-mine ore per month

Anthony (Tony) Grey – Non-executive Chairman

Overview

The difficult trading environment affecting the ferrochrome industry continued throughout the year under review. However, the Company vindicated its strategy outlined in last year's report, to concentrate on pushing costs to the lower end of the international curve.

Notwithstanding creditable progress on cost reduction, pre-tax loss increased from ZAR157 million to ZAR214 million. Principal causes for this deterioration were the strengthening exchange rate which averaged ZAR7.00 to the US dollar, compared with ZAR7.54 in the previous year, and Eskom's average annual electricity increase of 23.4%.

The adversity faced in this period, however, is being mitigated by the factors discussed below.

Strategy

The year under review saw the Company further implement its objective of cost reduction. Adjusted for the exchange rate and electricity charges, production costs declined 4%. This was accomplished through a combination of efficiencies at the Lesedi mine and the partial substitution of anthracite for coke as a reductant, as well as a general tightening of cost control. In addition, the co-generation plant, which was operating but not yet at full capacity, contributed electricity at a cost lower than grid power.

It is expected that further progress will be made as the co-generation plant is ramped up to full production, accounting for its forecast 11% of electricity requirements. This will offset to a useful extent the rising costs of South African power.

The UG2 chrome retreatment plant which is being constructed at the Company's cost is scheduled for completion in October this year. It will produce chrome concentrate from the concentrator tailings of Rustenburg Platinum Mines Limited. Access to this low-cost material, which will represent approximately 30% of beneficiated ore requirements, is expected to reduce average ore costs considerably. Ore is a major factor in the Company's overall costs.

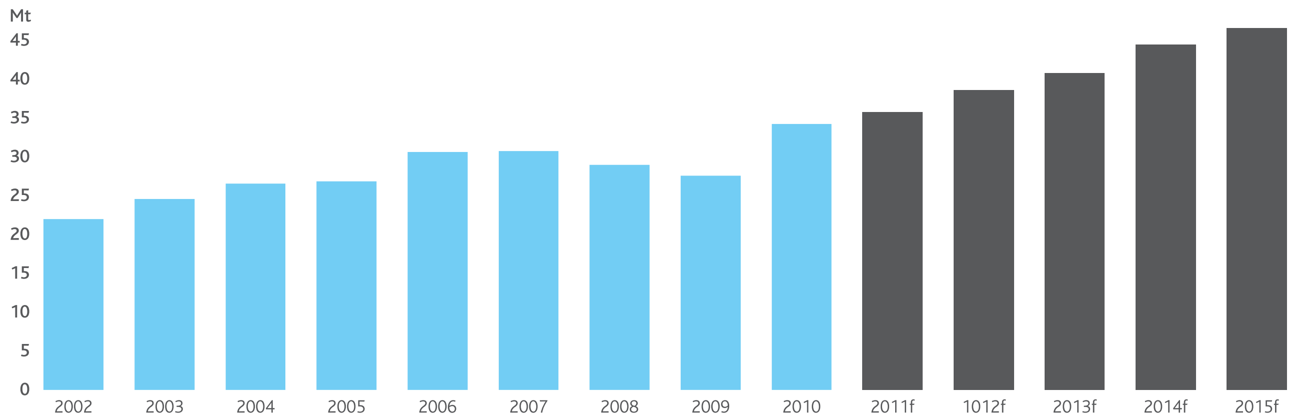
In November 2010, the South African Department of Mineral Resources (DMR) granted the necessary mining licences for the Sky Chrome property, which lies adjacent to the existing Lesedi mine. Pursuant to the licence, the Company negotiated arrangements with the local community to commence mining with their support. The mine is currently producing 20kt run-of-mine ore per month and is planned to ramp up to 50ktpm by March 2012. The development of Sky Chrome will ensure that the Company will remain self-sufficient in ore for over 40 years. Its open pit contribution will lower ore costs further and add to the amount of product that can be sold as ore – an alternative revenue stream.

Furnace roof replacements

During the year under review, it became apparent that something was causing the performance of the furnaces to fall below a satisfactory level of output, notwithstanding operational improvement in the previous year. Too many shutdowns were required and availability was less than optimal. After an operational management change, it was decided to engage Metix, a well-respected South African smelter engineering firm, to conduct a root and branch examination of both furnaces. The review disclosed that the basis of the problem lay in the design of the ore feed chutes, a feature that resulted in excessive temperatures which degraded the roof. This turned out to be the main cause of the water leaks that were occurring from time to time.

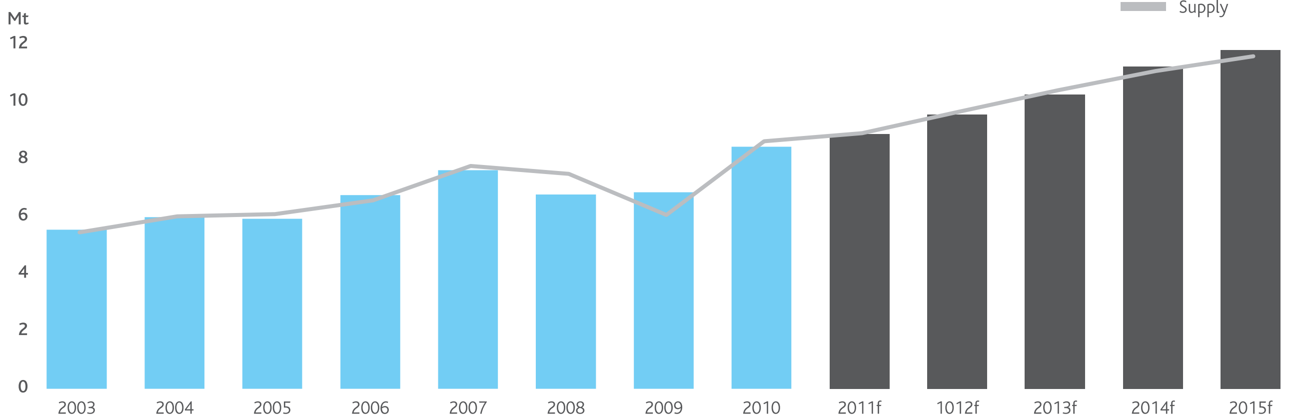
The Company immediately acted on the advice, engaging Metix to conduct a refit of both furnaces accordingly. The work was completed at the end of July 2011 for the first furnace and at the end of August 2011 for the second furnace. It was done on time and within budget. While it is necessary to allow both furnaces to operate for approximately three months to be confident that the replacements have been successful, the Company is pleased with their performance so far. Success here will be of great benefit and drive unit costs even lower, as higher production will ensue.

World stainless steel production
(millions of tonnes)



Source: CRU (Aug 2011)

World FeCr supply and consumption
(millions of tonnes)



Source: CRU (Aug 2011)

694 Supertrak

Health and safety

Once again the Company had a successful year from the perspective of the health and safety of our employees. Our goal is to achieve the highest standards in these areas.

Expansion

The Company continued to work on a feasibility study to increase production through by adding two more furnaces. After a thorough review of alternatives, it was decided to use DC Arc technology for the new furnaces, a feature that has distinct cost advantages. With its strong ore position and its marketing entrée into China by virtue of its major shareholder, JISCO, the Company is well placed to expand into the recovery of the ferrochrome market if and when it occurs. These plans are at an early stage and ongoing decisions concerning the project will be determined by the Company's view of the market at the time.

Corporate governance

Subsequent to year end, Chris Jordaan took on the role of CEO, replacing David Kovarsky. The Board expresses its appreciation to David for his service to the Company, and welcomes Chris. The experience in the ferrochrome industry and proven management skills Chris possesses will contribute significantly to the turnaround in fortunes the Company is beginning to enjoy.

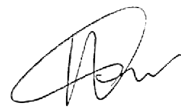
The Board is committed to ensuring that all our employees act professionally, fairly and with integrity in all matters wherever we operate and takes a zero-tolerance approach to bribery and corruption. We are reviewing our current procedures in order to ensure that we implement and enforce effective systems so that all of our business dealings and those of our agents and partners are conducted in an honest and ethical manner and in accordance with relevant legislation.

The Company is conscious of the corporate governance recommendations regarding board composition. To that end, I am pleased to state that the Board has three non-executive independent directors, sufficient to ensure that all committees have at least one non-executive director that is independent.

Conclusion

While the Company has been through an arduous time, with unfavourable industry conditions taking their toll, the actions it has taken to gear its operations to cope with lower prices and adverse exchange rates are beginning to bear fruit. It is repositioning itself in a more competitive mode.

Despite uncertain growth prospects facing the global economy, the rise of stainless steel production, especially in China, is inevitable. Consequently demand for ferrochrome should resume a favourable upward trajectory eventually. The Company is well placed to take advantage of that.



Tony Grey
Non-executive Chairman

REPORT
FROM THE CEO

IFM aims to be a **low-cost producer** of chrome ore and alloy-related products

Christiaan (Chris) Jordaan – Chief Executive Officer

Operations review

The past financial year brought many challenges with it, both globally and within the organisation. At the same time, however, significant operational achievements were attained, including a major engineering project in the form of the furnace roof upgrades and the successful commencement of mining at Sky Chrome.

Strategy

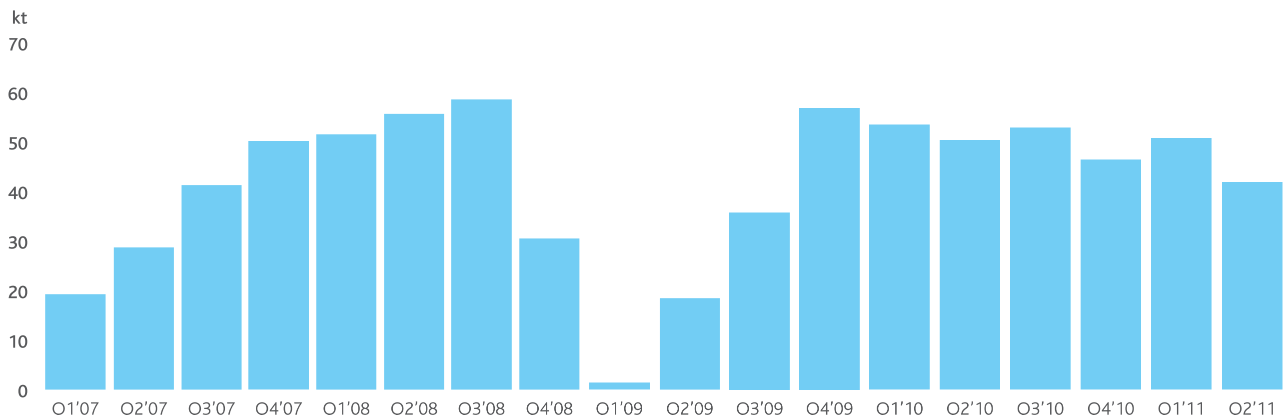
The Company's strategy remains to be a low-cost producer of chrome ore and alloy-related products for the global stainless steel industry. To this end, a portfolio of capital and operational improvement projects were commissioned with very pleasing progress made to date. These projects will contribute to the overall repositioning of the Company towards the lower end of the cost curve as well as increasing its revenue base. This in turn will afford the Company the right to grow in current and related markets in line with its long-term strategy to invest in and grow a diversified portfolio of long-life, low-cost assets.

Operations

Mining, ore beneficiation and agglomeration results achieved record levels during the year. Improved levels of ore hoisted, beneficiation efficiency and pelletising throughput all contributed to this achievement. Roof failures on the furnaces negatively influenced smelting performance. Excellent progress was, however, made in changing reductant mixes to the furnaces resulting in a lower cost of production. Some efficiency improvements were achieved, especially with regards to power consumption. To augment the low-cost strategy, a number of projects (outlined below) were commissioned.

The furnace roof rebuild has been completed according to plan. Performance will be closely monitored for the next three months to ensure the redesign achieves its objective.

IFM FeCr production history
(calendar quarters, in metric tonnes)



Cost reduction projects

IFM has embarked on a number of strategic projects to reduce input costs and improve efficiencies to reposition the Company lower down the cost curve. The projects include the furnace roof rebuilds, the co-generation plant, the development of the Sky Chrome mine, and the UG2 project.

At the beginning of 2011 the Company decided to make major modifications to the furnace roofs, feed chutes and gas off-take arrangements. Subsequently, the furnaces were shut down on a staggered basis, in June 2011 and July 2011 respectively. The shut downs coincided with the high electricity tariff months. Furnace 1 was switched in at the beginning of August 2011 and ramped up to full load in early September 2011. Furnace efficiencies achieved in the ensuing period were and remain at expected levels, which compare favourably with previous best performance. Furnace 2 was switched in early September 2011 and is expected to ramp up to full load by mid-October 2011.

The co-generation plant was commissioned in November 2010. Due to elevated hydrogen levels and the lack of stable gas supply from the furnaces, the plant operated at minimal levels until the furnaces were switched out for roof replacements. Following the start-up of the furnaces in August and September 2011, the co-generation plant was restarted and seven of the 10 engines are currently operating at 65% capacity. Output from the plant is proportional to furnace gas supply and as such the plant is not yet running at full capacity. At full production, the co-generation plant should provide IFM with approximately 11% of its energy requirements.

Sky Chrome's open pit mining operations commenced in June 2011 and should ramp up to 50ktpm run of mine by the first quarter of calendar 2012. Full production of 100ktpm is expected in 2013.

Construction of the UG2 plant is on track to start commissioning during October and to deliver 15ktpm of concentrate from January 2012. The UG2 feed will represent about 30% of IFM's beneficiated ore requirements and contribute to a more stable feed to the furnaces.

The successful implementation and integration of these projects will deliver a lower cost, competitive ferroalloy operation and will enable the Company to achieve its strategic goal to become a low-cost producer of chrome ore and ferrochrome-related products for the stainless steel industry. Rand production costs improved significantly, reducing by 0.5% from the previous year, despite Eskom's average 23.4% price increase and general inflationary pressures.

Other operations

Lesedi mine continued with its ramp up and recorded total run-of-mine production of 823kt compared to 511kt in the previous year. Especially pleasing was the Lesedi underground run-of-mine production of 275kt compared to 101kt in the previous year. It is expected that Lesedi will produce in excess of 630kt underground run-of-mine in FY2012 as underground development continues.

The ore beneficiation plant achieved record production both in terms of volume and ore recovery. The plant produced 638kt for the year with a 64% recovery yield compared to 503kt at a 53% recovery in FY2010. Beneficiated ore cost reduced by 14% year-on-year. Although the recovery is expected to be negatively influenced by the initial lower quality shallow ore from Sky Chrome mining, it is expected that these levels will be sustainable as Sky Chrome ramps up to full production.

The operations had mixed success. The pelletising and sintering plant achieved record production of 379kt compared to 366kt in the previous year. The smelting process remained challenged until the furnace roof replacements were complete: 195kt produced compared to 200kt in the previous year.

The combination of the furnace shutdowns and improved mining operations resulted in a build-up of beneficiated ore stocks which enabled the Company to increase its revenue from low-grade ore sales.

Sales and marketing

IFM continues to expand its markets and during the year sales to Japan and Sweden were recorded for the first time. The Company also entered the chrome ore market and 288kt of low-grade ore was sold during the year. Ferrochrome sales for the year were 186kt, down 3kt from the prior year.

Sustainability

IFM will only be successful if no-one is injured and if the Company operates in an environmentally acceptable manner. Zero fatalities and an ever-declining total recordable injury rate are key goals in this approach. In order to achieve this, IFM strives to operate in a disciplined and professionally led manner.

IFM's integrated sustainable development management system earned its re-certification in terms of ISO 14001:2004, ISO 9001: 2008 and OHSAS 18001:2007 in May 2011 and June 2011 respectively. The certifications are valid until December 2013.

Health and safety

The Company has a zero fatality rate and is focused on the continuing improvement of our health and safety standards.

IFM improved its record of fatality-free man hours by achieving, since establishment in 2005, 17,955,111 fatality-free man-hours which equate to 2,244,388 fatality-free shifts. During the year, management was concerned by the rise in the lost-time injury frequency rate (LTIFR) from 4.44 in FY2010 to 5.94 in FY2011 and took prompt action. The corrective steps taken mean that the LTIFR has improved over the last few months and the 12-month moving average had subsequently reduced to 4.48 by mid-September 2011. The FY2012 year-to-date LTIFR is currently at a pleasing 0.94.

This improvement was achieved through a relentless focus on safety. Safety management structures with clearly articulated roles and responsibilities, simple processes and systems of risk assessment and incident reporting and investigation are implemented and the diligent implementation of corrective actions is introduced. This allows the operations to focus on leading practices so as to proactively influence safety performance in a positive manner.

Environmental impact

The Company continues to focus on environmentally sustainable operations and two of our key projects both improve our sustainability and reduce costs.

The co-generation plant is a CDM project as defined by the Kyoto Protocol, and harnesses furnace off-gases to generate electricity. It is expected to provide 11% of our electricity needs at full production.

Under the agreement with Rustenburg Platinum Mines signed in the prior financial year, the Company will pay for a chrome retreatment plant to produce UG2 chrome concentrate from Rustenburg's UG2 concentrator tailings. The plant is on track to start commissioning during the beginning of October and to deliver 15ktpm of concentrate from January 2012 to IFM. The UG2 feed will represent about 30% of IFM's beneficiated ore requirements and contribute to a more stable feed to the furnaces.

The furnace roof replacement programme included improving gas quenching and cleaning processes. Although current indications are positive in that a reduction in emissions may be expected, annual emission analysis will be used to confirm this initial view.

Sustainability will remain a fundamental principle on which the Company will move forward. The ability to operate in a sustainable manner will be strengthened by means of solid leadership and the inclusive management of personal safety.

Black economic empowerment (BEE) transaction

In April 2009 the Company lodged its proposed BEE transaction with the former South African Department of Minerals and Energy, now the DMR, as the final element of its previously submitted application

to convert its old order mining rights to new order mining rights under the South African Mineral and Petroleum Resources Development Act (MPRDA). The Company is actively engaging the relevant stakeholders and the DMR to finalise the BEE transaction which is expected to be concluded in the near future.

Ferrochrome market update

During the year, alloy prices improved but this was overshadowed by a downward trend in Q2 2011. Discount structures remained under pressure over this period allowing little room for improvement.

The year under review saw the European contract price set within a tight band between US$1.25/lb and US$1.35/lb. Subsequent to financial year-end, the price was settled at US$1.20/lb for Q3 2011. These prices do not, however, paint the full picture. The Rand strengthened from levels of ZAR7.50/US$ in July 2010 to ZAR6.80/US$ by 30 June 2011 and electricity tariffs increased by 26.7% in April 2011. The low subsequent ferrochrome contract price is mainly attributable to declining nickel prices, which resulted in the destocking of stainless steel and ferrochrome inventories. The destocking in stainless steel in turn led to an unusual overcapacity of ferrochrome production and as a result thereof, the past six months have seen production cutbacks in ferrochrome production.

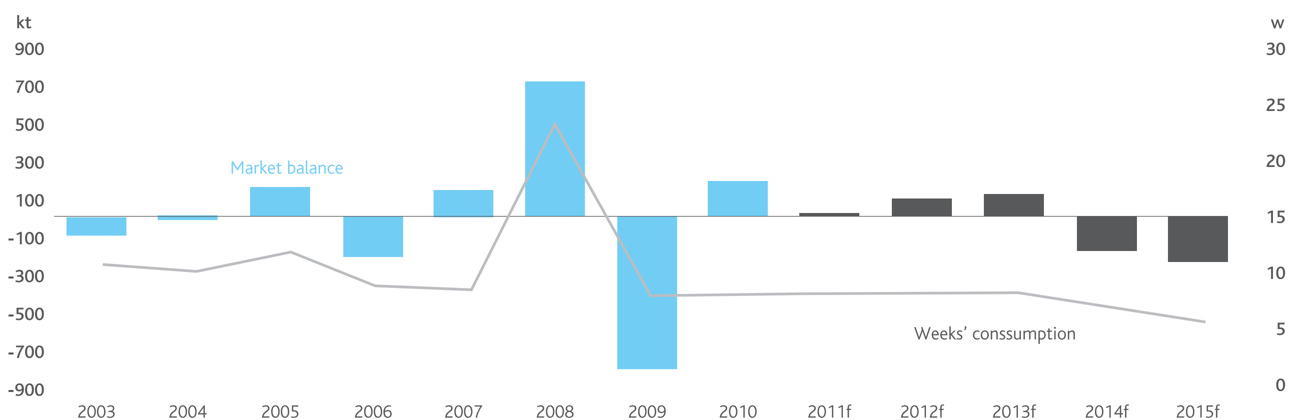
Outlook

Costs have been reduced significantly over the last six months and this is expected to continue in the first half of the new financial year as the co-generation plant moves to full capacity and the furnaces ramp up to full production. Additional cost reductions are also expected after the introduction of low-cost UG2 concentrate and further decreases in reductant costs.

Demand for FeCr is directly proportional to stainless steel production. The long-term outlook for stainless steel production remains strong and record production of 33 million tonnes (Mt) is expected in 2011 (2010: 31.7Mt), with a further increase at an average rate of 6.8% p.a. to 2015, according to CRU. The lower scrap ratio trend seen in China leads to a higher primary chrome demand. More than 50% of stainless steel growth is expected to emanate from China, with China therefore set to lead demand growth of ferrochrome in the coming years. It is not expected that ferrochrome supply in China will grow commensurate to the growth in demand. The Company remains confident that the ferrochrome market is sustainable and attractive, and that IFM is increasingly well-positioned to benefit from market growth.

As the macro ferrochrome market improves, the Company remains confident that the long-term ferrochrome growth story remains intact. The combination of a sustainable long-term market for stainless steel and ferrochrome, and measures being taken within the Company to ensure it is a low-cost producer with robust operations, means the Company is confident that it is better positioned than it has been for some time.

Chris Jordaan
Chief Executive Officer



Source: CRU (Aug 2011)

Report

FROM THE CFO

Capital expenditure for the year was **ZAR307 million**

Johannes (Jannie) Muller – Finance Director and Chief Financial Officer

Income statement

The Company reported a loss before tax of ZAR214 million for the year ended 30 June 2011, compared to a loss of ZAR157 million for the prior year.

The table below reflects the consolidated results for IFM for the year ended 30 June 2011. Both the functional currency and the presentation currency of the Company is South African Rand (ZAR) unless otherwise stated.

Summary of income statement	FY2011 H1	FY2011 H2	FY2011	FY2010 H1	FY2010 H2	FY2010
FeCr production (tonnes)	100,839	94,030	**194,869**	94,715	105,725	200,440
FeCr sales (tonnes)	103,808	83,155	**186,963**	70,936	119,496	190,432
	ZAR'000	ZAR'000	ZAR'000	ZAR'000	ZAR'000	ZAR'000
Sales revenue	850,944	724,515	**1,575,459**	451,917	981,678	1,433,595
Cost of goods sold	(904,942)	(714,456)	**(1,619,398)**	(509,055)	(915,762)	(1,424,817)
Gross profit/(loss)	(53,998)	10,059	**(43,939)**	(57,138)	65,916	8,778
Other (expenses)/income	(80,825)	(35,426)	**(116,251)**	(79,603)	(53,357)	(132,960)
Net finance costs	(25,272)	(28,625)	**(53,897)**	(8,101)	(24,449)	(32,550)
Loss before tax	(160,095)	(53,992)	**(214,087)**	(144,842)	(11,890)	(156,732)
Taxation	53,091	26,045	**79,136**	39,749	31,177	70,926
Net loss after tax	(107,004)	(27,947)	**(134,951)**	(105,093)	19,287	(85,806)
EBITDA	(98,834)	26,923	**(71,911)**	(102,258)	43,404	(58,854)
Net operating cash flow	(102,253)	43,222	**(59,031)**	(273,954)	5,502	(268,452)
EPS (SA cents per share)	(19.1)	(5.0)	**(24.1)**	(19.1)	3.7	(15.4)
Weighted average number of shares (m)	554.0	554.0	**554.0**	544.9	549.4	549.4
DPS (pence)	0p	0p	**0p**	0p	0p	0p

Ferrochrome production of 195kt was 3% below that of the previous year and 26% below nameplate capacity of 265kt, due to water leaks on the furnace roofs which resulted in reduced efficiencies and availabilities on the furnaces. Both furnaces were switched out for maintenance in November 2010 and furnace 1 was switched out in June 2011 for roof replacement.

Sales revenue increased by 10% to ZAR1.58 billion as a result of ore sales of ZAR179 million during the year. The average European benchmark price increased by 21% year-on-year. However, this was negatively impacted by lower achieved prices and an average 8% strengthening of the Rand against the Dollar. At 30 June 2011, ferrochrome sales of 29,674t have ongoing pricing exposure with pricing expected to be settled by the end of September 2011.

Other expenses/income include:

- Other income comprised ZAR77 million received from Phoenix Platinum for the sale of net profit interest in PGM recovery from tailings.
- Administration and other expenses increased by ZAR24 million to ZAR113 million.
- Net realisable value adjustments of ZAR43 million (FY2010: ZAR22 million) on stock held at 30 June 2010 and unabsorbed fixed costs of ZAR25 million (FY2010: ZAR3 million) for furnace standing time during maintenance were charged directly to the income statement.

The improvement in EBITDA in the second half of the year is due to ore sales and lower production costs. EBITDA increased to ZAR27 million, from a loss of ZAR99 million in the first half, resulting in a full-year loss of ZAR72 million, up ZAR13 million from the prior year.

Net finance cost increased from ZAR33 million to ZAR54 million due to the draw downs on the working capital facility.

The positive tax charge of ZAR79 million (FY2010: ZAR71 million) to the income statement is a deferred tax credit resulting from the Company's unclaimed calculated tax losses available for offset against future profits.

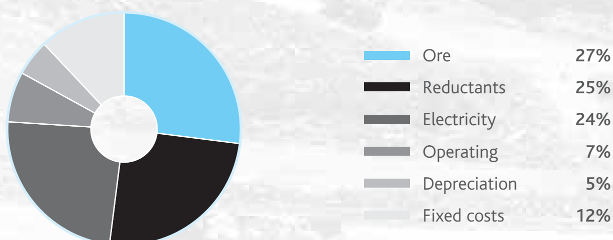
Headline earnings increased from a loss of ZAR86 million (ZAR0.15 per share) in FY2010 to a loss of ZAR135 million (ZAR0.24 per share) for FY2011.

Production costs

The Company was highly successful in reducing controllable costs and exceeded budget expectations in the second half of the year. In Rand terms, ferrochrome production costs for the year decreased by 0.5% from the prior year and by 7.6% from H1 to H2.

In Dollar terms, production costs for the year were 89.4¢/lb at an average exchange rate of ZAR7.00/US$, compared with 83.4¢/lb for the prior year at an average exchange rate of ZAR7.54/US$. The table overleaf provides the breakdown of production costs and restates FY2010 costs at an exchange rate of ZAR7.00/US$ to remove the effects of exchange rate for comparison purposes in US¢/lb.

FeCr production costs FY2011(89¢/lb)
(US¢/lb contained Cr, FeCr production 195kt, average ZAR7.00/US$)



Production costs

ZAR/US$	FY2010 restated ZAR7.00 ¢	FY2011 actual ZAR7.00 ¢	Change ¢	Change %
Ore	26.7	**24.4**	(2.4)	(8.8)
Reductants	24.7	**22.1**	(2.6)	(10.6)
Electricity	16.5	**21.1**	4.6	28.0
Operating	6.0	**5.9**	(0.2)	(2.9)
Depreciation	4.6	**4.9**	0.3	6.6
Fixed costs	11.2	**11.0**	(0.2)	(1.7)
Total	89.8	**89.4**	(0.4)	(0.5)

- Ore: The continued ramping up of underground mining operations, together with improving beneficiation yields have significantly contributed to lowering the cost of ore. Open pit mining at Sky Chrome started during June 2011, which will substitute the open pit operation at Lesedi (which is nearing its end of mine life) at a lower cost. The supply of 15ktpm of low-cost UG2 concentrate from Anglo Platinum from January 2012 should further reduce the cash cost of ore by about 3.0¢/lb.
- Reductants: Coke prices on average increased by 8.5% from the prior financial year. However, with the introduction of lower-cost anthracite, at levels far exceeding original expectations, overall reductant costs were reduced by 11%. The Company's objective is to further decrease reductant costs by about 1.3¢/lb (6%) in FY2012.
- Electricity: Eskom unit prices on average increased by 23.4% from the prior financial year, but due to the water leaks on the furnace roofs, electricity consumption efficiencies were negatively affected, resulting in an overall 28% increase in electricity cost. After the furnace roof replacements, electricity consumption is expected to normalise which should reduce the impact of future Eskom tariff increases by 1.6¢/lb (8%).
- Co-generation: The electricity co-generation plant is expected to generate about 11% of the operation's overall electricity requirements at significantly lower cost than Eskom. Once operating at full capacity, electricity costs should reduce by a further 2.0¢/lb.
- Fixed costs: Overall costs were well contained during the year, with per unit fixed costs expected to decrease by 3.0¢/lb at full production capacity which is expected from November 2011.

Cash flow

Summary of cash flow statement	H1 2011 ZAR'000	H2 2011 ZAR'000	FY2011 ZAR'000	FY2010 ZAR'000
Net cash flows from operating activities	(102,253)	43,222	**(59,031)**	(268,452)
Net cash flows from investing activities	(131,889)	(81,730)	**(213,619)**	(246,929)
Net cash flows from financing activities	90,421	(132,106)	**(41,685)**	587,997
Net increase/(decrease) in cash held	(143,721)	(170,614)	**(314,335)**	72,616
Cash at the beginning of the period	396,926	230,952	**396,926**	340,089
Effects of exchange rate changes on cash	(22,253)	7,144	**(15,109)**	(15,779)
Cash at the end of the period	230,952	67,482	**67,482**	396,926

Operating activities utilised cash of ZAR59 million, resulting from the cash loss of ZAR97 million offset by a net decrease in working capital of ZAR38 million

Investing activities utilised ZAR214 million which includes ZAR196 million for capital expenditure and ZAR115 million for UG2 prepayments, offset by ZAR77 million of proceeds on disposal of PGM net profit interest to Phoenix Platinum and ZAR14 million from the release of DMR guarantees. Capital expenditure mainly comprised underground mine development of ZAR38 million, co-generation plant expenditure of ZAR86 million, and furnace roof replacements of ZAR24 million.

Financing activities utilised ZAR42 million, comprising ZAR35 million for working capital facility repayments and other repayments of ZAR7 million.

The Company had net borrowings at 30 June 2011 of ZAR248 million (ZAR67 million cash on balance sheet less ZAR315 million drawn on the working capital facility).

Balance sheet

Working capital decreased by ZAR85 million (including non-cash items), of which ZAR69 million is as a result of a decrease in inventories (ZAR25 million increase for ferrochrome and ZAR94 million decrease for raw materials, ore and consumables), a decrease of ZAR121 million in receivables and a decrease of ZAR105 million in payables.

The increase in the deferred tax asset of ZAR79 million is due to the increase in the calculated tax loss. The unredeemed capital expenditure balance is estimated at ZAR1.7 billion at 30 June 2011.

Capex

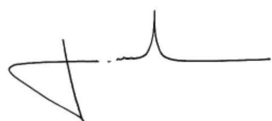
Capital expenditure for the year was ZAR307 million which includes ZAR86 million for the co-generation plant, ZAR38 million for underground mine development, ZAR115 million for the UG2 chrome retreatment plant and ZAR24 million for the furnace roof replacements.

The budgeted capital expenditure for FY2012 is ZAR216 million, which includes ZAR58 million for the furnace roof upgrades, ZAR48 million for underground mining development, ZAR46 million for the UG2 project and ZAR23 million for Sky Chrome infrastructure.

Funding

The Company has a three-year ZAR500 million irrevocable working capital facility with Bank of China which expires on 25 June 2012. At 30 June 2011, ZAR315 million had been drawn on the facility. The Company is confident that this facility will be renewed in the current financial year.

The Company is in the final stages of securing a term loan facility to fund the UG2 project and expects to conclude an agreement by the end of November 2011.



Jannie Muller
Finance Director and Chief Financial Officer

Sustainable development and IFM

IFM aims to improve on the management and performance of safety, health, environment and quality (SHEQ) at all its operations on a continued basis as an integral part of its commitment to sustainable development. The Company's compliance with all relevant legislation and obligations is paramount and is conducted hand-in-hand with its commitment to effective stakeholder consultation, the implementation of internationally accepted standards for occupational safety and health, and the achievement of high standards of environmental and quality performance.

All certificates were maintained during the year under review, including the international occupational health and safety standards and environmental management standards enshrined in OHSAS 18001:2007 and ISO 14001:2004 respectively. The Company's ISO 9001:2008 certification, relating to its integrated management system and first granted in the previous financial year, was also maintained.

The IFM Board continues to bear overall responsibility for all issues relating to SHEQ monitoring and performance. The Board has also approved specific policies and standards which are in place to cover all operational aspects and activities in order to manage and mitigate against any potential SHEQ-related risks. The focal points of these policies and standards include:

- the provision of a risk-based integrated management system framework, consistent with national legislation, Company policies, ISO 9001, ISO 14001, OHSAS 18001, and other internationally recognised standards that support the implementation of SHEQ best practice across all IFM operations;
- the provision of a framework to give effect to SHEQ legal compliance;
- ensuring the progressive development and implementation of more specific and detailed SHEQ management systems across the Company's operations;
- the provision of performance criteria against which the Company's management systems can be measured;
- the provision of a basis from which to drive continuous SHEQ improvement; and
- the integration of SHEQ elements into all relevant existing IFM policies and practices.

Identifying, managing and mitigating risk

The Company's SHEQ process is largely driven by well-established risk management principles. Processes and working areas are divided into units and assessed for baseline risks and issue-based risks. All operational teams are trained to apply risk assessments on new projects and tasks. Control measures to reduce risks are implemented systematically according to the following risk parameters:

- engineering design;
- engineering control and SHEQ systems;
- early warning systems;
- administrative control, such as procedures, training and inspections; and
- general protective mechanisms and processes.

Sustainable development and IFM (continued)

Health and safety

Safety

At the very core of the Company's approach to business is the pursuit of zero harm when it comes to employees and contractors. IFM is committed to their well-being, and to sustaining a culture of safe behaviour across the organisation.

The CEO is ultimately accountable for the safety of the Company's employees and contractors on site. The Company's safety department sets minimum safety standards and audits the implementation of these requirements. Independent safety audits and peer reviews are conducted in all business units to identify areas of improvement on an ongoing basis.

The aim of the Company's safety systems, which incorporate the requirements of OHSAS 18001, is to create a systematic framework for the management and prevention of hazards and their associated risks.

Every incident and high-potential risk incident is reported, meticulously investigated, and appropriate training, or hazard management improvements identified and implemented, so that recurrences can be prevented. Findings from these incidents are critical to the Company's efforts in preventing fatalities and are communicated across its operations.

During the year under review, IFM is pleased to report that its remarkable fatality-free record was maintained. Since its inception in 2005, a total of some 18.0 million fatality-free hours have been worked, equating to approximately 2.2 million fatality-free shifts. The upholding of this impeccable safety standard remains a top priority going forward.

The increased production from underground mining operations during FY2011 had a slight impact on the number of injuries recorded. A total of 22 lost-time injury cases (FY2010: 15) were recorded, and the Company's LTIFR increased to 5.94 (FY2010: 4.75), and its total recordable injury rate (TRIR) increased to 52.61 per million hours worked (FY2010: 50.46).

To improve on performance, additional emphasis is placed on training, learning from incidents and near-miss investigations, initiatives to address behavioural and cultural issues that may impact safety performance, and safe working programmes. Significant focus was placed, and will continue to be placed, on good housekeeping, which is fundamental to safe operations.

Health

In line with IFM's zero harm philosophy, the Company considers health concerns to be paramount. The Company thus strives to eliminate, engineer out, control and mitigate workplace risks as far as is reasonably practicable, and risk-based occupational hygiene programmes are in place to monitor impacts that may occur as a result of workplace exposure. A comprehensive medical surveillance programme for employees is also in place.

While the CEO is ultimately accountable for the health and wellbeing of employees, health care delivery and occupational health and hygiene policies, standards, monitoring and the auditing thereof is the responsibility of the Company's health department. Responsibility for the implementation of these occupational health and hygiene requirements resides with line management.

The main risks to employee and contractor health remain noise induced hearing loss (NIHL), HIV/Aids and pulmonary tuberculosis (TB). Internal targets are in place to mitigate these risks and performance is monitored monthly. Performance is underpinned by training and work programmes to reduce exposure to these risks and to provide affected employees with the knowledge to manage and reduce the impact such diseases may have on their lives.

A total of 6,314 occupational health surveillance examinations were held during the year, including pre-employment, exit, and periodical examinations. The Company's medical team also addressed 5,204 primary health care and medical treatment cases, and additional health education was given to 580 individuals.

Should employees develop occupational diseases, such diseases are identified during these examinations and referred for appropriate treatment and, where applicable, submitted for compensation to the relevant compensation authorities, in accordance with legislation.

Although NIHL is a risk considering the work undertaken by IFM, this is not a material issue as stringent measures control the Company's hearing conservation programme. Apart from the occupational health surveillance tests, 4,834 additional hearing tests were conducted as part of this initiative.

The medical facility conducted 5,514 lung function tests and examined 4,915 chest x-rays as part of the occupational lung disease monitoring programme. One employee was found medically unfit for a specific work category due to a lung disease and the case is under investigation to determine whether this condition is occupationally related. A total of 5,494 special drivers' vision screenings and 58 ergonomic screenings were also conducted.

Biological monitoring of employees who may be exposed to chromium is undertaken. In the past year, no results were found that were outside the allowed range.

HIV/Aids and TB

The Company has an HIV/Aids strategy in place, built on preventing HIV-negative employees from becoming infected, and on improving the lives of those who are HIV-positive through educational programmes and lifestyle guidance initiatives. The Company works in collaboration with the local Department of Health and provides prevention and counselling programmes through its medical aid programme.

The most recent measure implemented by IFM to deal effectively, proactively and comprehensively with the ongoing HIV/Aids pandemic in South Africa involves the establishment of a dedicated HIV Committee. This committee will be fully operational by Q2 2012 and will be reported on in more detail in the FY2012 annual report.

Anti-retroviral treatment (ART) is provided free of charge to all HIV-positive employees. During the year, 28 cases of sexual transmitted infections were reported and treated.

IFM has an effective TB control programme in place, in addition to targeted medical surveillance programmes. These programmes combine early identification and appropriate treatment with quality drugs, as well as lifestyle management guidance, through directly observed treatment.

IFM has a very stringent pre-employment and medical surveillance evaluation process. Two TB cases were diagnosed through these pre-employment medical examinations during FY2011 and were referred to government institutions for diagnostic evaluation and treatment.

Environment

By the very nature of the industry in which IFM is involved, mining and processing activities have an impact on the environment. The Company is determined, however, to ensure that this impact is kept to an absolute minimum and that appropriate measures to reduce future impacts are put in place. The conservation of scarce resources, particularly water and energy, upon which the Company relies to operate, is of both environmental and economic concern. The Company is committed to maintaining a balance between economic development, the requirements of its business, the community and resource conservation.

During the year under review, IFM retained its ISO 14001:2004 certification. The Company also has all the necessary permits and licences in place and operated in compliance with all applicable regulations during the year under review.

On a national scale, IFM participates in a number of forums to contribute to government decision-making, and to create a platform for collaboration with industry peers and government on issues pertaining to environmental management.

The Company's principal environmental impacts include:

- use of resources, particularly water and energy;
- climate change, due to direct and indirect greenhouse gas emissions;
- land disturbance and biodiversity impacts;
- waste material produced from operations; and
- environmental impacts associated with the Company's products and supply chain.

The management of these risks is underpinned by the Company's environmental policy and is supported by targets, standards and guidelines, and approved environmental management plans and systems to manage such risks.

The annual independent environmental performance assessment audit report, conducted in terms of the MPRDA by Prescali Environmental Consultants (Pty) Ltd, states: "Overall the IFM operations have demonstrated exemplary compliance with general environmental legal obligations. There are no non-compliance issues that could lead to severe environmental legal risk."

Recent legislative changes to the National Environmental Management Act 107 of 1998 (NEMA), the Environmental Impact Assessment Regulations 2010, and the National Environmental Management Waste Act of 2008 require that most activities in the Company's amended Environmental Management Programme Report (EMPR) undergo a basic assessment, and environmental impact assessment (EIA) and scoping process. The basic assessment application submitted to the provincial Department of Environmental Affairs (DEA) included the following activities:

- the expansion of the existing process plant which requires amendments to the existing atmospheric emission licence;
- the expansion of the existing co-generation plant which should generate an additional 13.7MW of electricity on average;
- the installation of additional diesel and oil tanks which will increase the current storage capacity of dangerous goods on site; and
- the expansion of the sewage treatment facility and related infrastructure to accommodate the rest of the expansion project.

A waste licence application was submitted to the National DEA during FY2011 for authorisation of waste activities in terms of the revised act. A scoping and EIA process has been included as part of the application for several waste activities.

No major environmental risks were reported during the year under review.

Biodiversity and land management

IFM continues to apply sound principles of land management and conservation of biodiversity. This is achieved through an environmental management system where assessments of activities that could impact on biodiversity remain a fundamental consideration. In addition, any significant changes to operations or new activities are subject to comprehensive environmental impact assessments that place a concerted emphasis on the engagement and involvement of all relevant stakeholders.

During FY2011, approximately 5ha of land was disturbed to accommodate the chrome tailings treatment plant and to expand the open cast mining pit. This expansion involved no negative impacts to biodiversity in the area. The Company continues to provide funds for the eventual closure and rehabilitation of its operations.

Use of resources

Energy consumption

The amount of energy available to and used by the Company has a material bearing on business continuity, growth and costs. The amount of energy used is also a significant component of the Company's greenhouse gas (GHG) emissions.

As electricity costs have risen and are likely to rise further in coming years, IFM is committed to reducing its energy use. During the year under review, the Company's electricity consumption was 833.0GWh, a decrease of 17.2GWh year-on-year, representing a 2% reduction of energy consumed. The reduction of energy consumption was a combined result of improved operational management and lower ferrochrome production.

Due to elevated hydrogen levels and the lack of stable gas supply from the furnaces, the co-generation plant operated at minimal levels until the furnaces were switched out for roof replacements. Following the start-up of the furnaces in August and September 2011, the co-generation plant was restarted and seven of the 10 engines were operational by mid-September, operating at 65% capacity. Output from the plant is proportional to furnace gas supply and as such the plant is not yet running at full capacity. At full production the co-generation plant should provide IFM with approximately 11% of its energy requirements.

Water management

The Company is committed to the efficient and effective use of water, one of South Africa's scarcest resources. The Company aims to re-use what it can and release only water of an acceptable quality back into the system.

During the year under review, water supply problems from the Madibeng Local Municipality were experienced which impacted operations. The Company is rendering assistance to the local municipality through personnel, equipment and maintenance services to ensure stable supply as well as supply to the local communities.

Within the environmental management system, conservation of the quality and quantity of water at the operations remains a central tenet. In this context, the Company continues to build on systems that are already in existence, including systems and infrastructure implemented to monitor usage, measure quality changes and to maximise the recycling opportunities of this critical resource. The Company is seeking an independent long-term water provision solution and discussions are under way, in collaboration with other industry partners, in pursuing this.

One of the ongoing material issues surrounding water management is of an administrative nature, where water licences for South African operations are not being issued timeously. Applications have been submitted and the Company remains committed to working closely with both the relevant regulatory authority and all applicable stakeholders. Moreover, the Company has received a directive from the Department of Water Affairs and Forestry (DWAF) for water use until a water use licence is approved.

The Company consumed 1.49Ml of water for its activities during FY2011. The volume withdrawal from municipal water supplies was 474Ml: 348Ml from ground water and 30Ml from potable water. Process recycled water used was 635Ml.

Waste management

IFM's protocols for the proper disposal of all waste types, as part of its ISO 14001 environmental management system, are fully entrenched within the Company's environmental philosophy and are reviewed and updated, as appropriate. These protocols provide

a structure to minimise the production of waste and to improve recycling processes where practicable. The Company's waste recycling yard was upgraded during the year under review. This yard caters for the recycling of paper, cardboard, wood and metal, though not hazardous waste as this is stored in a separate, formalised area before removal to a permitted waste facility.

The Company generated approximately 593t of domestic and industrial waste during FY2011. The amount of hazardous and medical waste generated was reduced by 37% to 21t year-on-year. Approximately 64% of the total waste created was recycled and the incineration of waste was reduced from 6% in the previous year to only 2.5% in FY2011. Waste to landfill amounted to approximately 33% of the total waste generated.

IFM's property holds four tailings dams, none of which saw any significant environmental events during the year under review. Results of tests on the acid generating potential of the tailings have indicated that the risk of acid generation is negligible.

Emissions and discharges

Climate change

The Company remains cognisant of the major challenges posed by climate change to life in the 21st century. IFM recognises the need to take meaningful action towards addressing the causes of climate change, and to helping to protect its employees, assets, as well as the communities and environments in which operations are located, against the potential impacts of climate change.

IFM's most significant physical climate change related risk is water. Changes in weather patterns are expected to alter the rate of water evaporation and precipitation – both in terms of the actual amount of rainfall, as well as its frequency and intensity. Such changes are expected to affect the water balances at the Company's operations and their catchment areas, with far-reaching implications for infrastructure and processes, as well as IFM's relationships with other users. The Company expects to use less water in most instances, and to re-evaluate how to store water and plan for extreme weather events.

IFM's CO_2 emissions for the year under review totalled 721,363t (FY2010: 736,240t), a 2% reduction year-on-year.

Air quality

Due to the nature of the business, there exists the potential for the generation of gaseous and particle pollution, which could have a negative impact on local, regional and global air quality.

The main pollutants generated from mining and processing are particle emissions (fine and coarse dust), sulphur dioxide (SO_2) and nitrogen oxides (NO_x). Pollutants can be difficult to measure, particularly calculating the amount of dust generated by mining operations. For such sources, emission estimates based on internationally accepted techniques are used. These estimates are used as a benchmark to measure and improve IFM's performance.

SO_2 is primarily a local pollutant with the most significant impact potentially occurring in the close vicinity of the source. All of the Company's SO_2 emissions are within the certificate permissible emission rates. The mean concentration of particles not otherwise classified (PNOC) is 0.3mg/m^3, well below the occupational exposure limit of 3.0mg/m^3. Similarly, the mean concentration of Cr (III) is 0.002mg/m^3, also below the occupational exposure limit of 0.5mg/m^3.

Sustainable development and IFM (continued)

A total of 10 incidents occurred during the year where raw gas was emitted. This was primarily a result of scrubber blockages. The furnace roof upgrades that took place during June to August 2011 included more effective scrubber systems, which IFM anticipates will reduce the emission of raw gas.

Quality

The International Ferro Metals Integrated Management System (IFMIMS) oversees the integrity of processes and stewards the implementation of sustainable best practice. It serves to integrate safety, risk, security, quality, environmental and asset management while linking all core business processes to set objectives and strategic decisions. Under the IFMIMS, separate systems assess, monitor and control specific functions focusing on the major impacts to business for performance and quality of management.

To ensure the IFMIMS is properly maintained, the Senior Management Committee is responsible for reviewing the results of internal and external audits; client feedback; the progress of corrective/preventative actions on non-conformity; quality, environmental, health and safety objectives and target achievements; new targets proposed for the coming year; and resources required for implementing actions arising from the review.

The Company's ISO 9001:2008 certification, relating to its integrated management system and first granted in the previous financial year, was maintained during FY2011.

Employment

As at 30 June 2011, IFM employed 1,930 people, including contractors, with International Ferro Metals SA (Pty) Ltd (IFMSA) employees constituting 420. The Company has a total staff turnover of 0.5% and 61% of employees are unionised.

The Company spent ZAR568,930 on training and development during the year.

The following table provides the Company's employee equity targets and the progress towards achieving these by the end of June 2011:

	Employment target %	Employment at end June 2011 %
% of HDSAs in total	60	71
% of HDSAs in management	40	39
% of women in total	10	16
% of women in management	10	10
% of designated groups in management	40	43

Procurement

IFM has adopted a preferred procurement policy in line with the requirements of the Broad-Based Black Economic Empowerment (BBBEE) Act's Codes of Good Practice.

To date, the Company's total procurement of goods and services from small, medium and micro enterprise (SMME) suppliers represents approximately 14% of total spend. The majority of the Company's suppliers are BBBEE-rated and it is the Company's preferred procurement policy to contract with BBBEE-rated suppliers. Where suppliers are not rated, the Company actively engages with the supplier to obtain a BBBEE rating.

Below is a summary of the Company's vendor spending:

Top 10 vendor

BBBEE contributor level								Compliant	Non-compliant	Excluded	Total
1	2	3	4	5	6	7	8				
0.5%	1%	6%	12%	5%	4%	5.5%	3.5%	37.5%	33.5%	20%	91%

Fines and non-compliance

The Company received one fine in terms of NEMA during the year under review regarding the incorrect placement and authorisation of diesel tanks on site. The inspection by the North West Province Department of Economic Development, Environmental Conservation and Tourism verified that the tanks posed neither current nor future environmental risks and that only the position indicated on the authorisation documentation was incorrect. The Company has lodged an appeal against the fine.

Corporate social investment

FY2011, the second year of IFM's dedicated corporate social investment (CSI) department, was a year of consolidation and expansion for this division. Key targets were reached, most notably in the areas of social and labour plan implementation and community training.

A total of 13,218 people benefited from 25 projects during the year, across the Company's five CSI focus areas: enterprise development, skills development, poverty alleviation, community support and infrastructure development. The most important projects undertaken in each field are detailed below.

Enterprise development

A total of 52 community members were trained in small business skills, enabling IFM to reach its target of training 200 community members in starting their own businesses.

Skills development

Funded by IFM, the TRAC Mobile Science Laboratory visits seven high schools in the communities surrounding IFM's operations. Practical science lessons are provided to senior learners and clear benefits are evident, with the average pass mark for science increasing by 20% in the schools concerned during FY2011.

Mining skills training, basic construction skills training and open cast operator training sessions were also undertaken during the year, with 39, 31 and 80 people taking part respectively. The Company's aim in providing this training is to enable community members to obtain SETA-accredited qualifications that improve their employability. All community members who were trained in mining skills were employed in the industry and the construction skills trainees obtained short-term contracted employment. The open cast trainees will complete their qualification in FY2012.

Poverty alleviation

IFM delivered 160 food parcels to orphans, child-headed households and the elderly in Bapong and Modderspruit during the year under review. A food parcel is sufficient to sustain a family of six for one month.

In addition, 32 food gardens were established to provide families without income with a continuous source of food. While IFM endeavours to focus on projects that are sustainable and allow beneficiaries to improve their self-reliance, it is not always possible to do so given the levels of poverty in the vicinity of the plant. IFM therefore supports two feeding schemes which provide food to 600 orphaned and neglected children in Bapong and Modderspruit per month. The Company has also provided 300 blankets to the elderly and vulnerable children in Bapong, Mooinooi, Modderspruit and Majakaneng.

Community support

The Company supported 10 community projects during the year through contributions to three schools for disabled children, the Grace Help Centre for abused women and children, and the establishment of a vulture restaurant for the endangered Cape Vulture, amongst others.

Infrastructure development

In partnership with Lonmin, IFM is in the process of renovating the Bapo Primary School and Nkukime Primary School to a total value of ZAR1.5 million.

IFM has constructed an on-site training centre, the Inyathi Training Centre, at a total cost of ZAR3 million to benefit its employees and community members.

Outlook

IFM's priority remains to entrench the understanding that excellent SHEQ performance is the responsibility of all, not a specific department or individual, and this will be aggressively pursued going forward. The Company also intends to maintain all its certifications and to improve on its current statistics.

The Company is pleased with what has been a successful financial year for its CSI department. In the forthcoming financial year, IFM aims to increase the number of projects undertaken, as well as the scope and duration of such projects, though this will depend on the Company's financial position. With all projects, both the impact on the community and the impact on the Company's cash flow is considered, with the continuation of the business remaining a priority.

Corporate GOVERNANCE

IFM is committed to maintaining high standards of corporate governance. The directors have, so far as it is possible, given the Company's size and the composition of the Board, complied with the UK Corporate Governance Code for the financial year ended 30 June 2011. In addition, the Company has complied with the Australian corporate governance requirements applicable to a company which is not listed on the Australian Securities Exchange.

The Board of Directors

As at 30 June 2011, the Board of Directors (the Board) comprised nine directors. Currently there are three executive directors and six non-executive directors, of which three are considered to be independent. It is the Board's policy to maintain independence by having at least two independent non-executive directors on the Board. The independent non-executive directors are Mr Oke, Mr Willsteed and Mr Ballard. Ms Xia, a non-executive director, and Mr Yang are not considered independent as they are representatives of JISCO, a major shareholder and customer of IFM. Mr Yang is also an executive of IFMSA. The Board believes Ms Xia and Mr Yang provide a valuable contribution to the Company through their experience in the ferrochrome and steel industries. Mr Grey and Mr Turner are not considered to be independent non-executive directors as they held executive positions with the Company until 31 December 2008.

Mr Grey, as Non-executive Chairman of the Company, is considered the lead director and utilises his experience, skills and leadership abilities to facilitate the governance process. Inside the boardroom, Mr Grey is responsible for the chairing of meetings and providing guidance to Board members, while outside the boardroom he serves as the spokesperson for the Company and as the major point of contact between the Board and the Chief Executive Officer (CEO). As CEO, Mr Kovarsky (resigned 31 July 2011) and Mr Jordaan (appointed 1 August 2011), who is based in South Africa, is responsible for the attainment of the Company's future goals and visions, in accordance with the strategies, policies, programmes and performance requirements approved by the Board. The CEO's primary objective is to ensure the ongoing success of the Company through the effective management and development of all aspects of the Company. The roles of the Chairman and CEO are separate and their responsibilities are clearly set out in writing. Mr Muller, as Finance Director, enhances the Company's commitment to sustainable financial reporting and governance.

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The primary responsibilities of the Board include:

- formulating and approving the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including the approval of the Company's annual financial statements;
- ensuring that adequate internal control systems and procedures are in place and that compliance with these is maintained;
- identifying significant business risks and ensuring that such risks are adequately managed;
- reviewing the performance and remuneration of executive directors; and
- establishing and maintaining appropriate ethical standards.

To enable the Board to perform its duties, each director has full access to all relevant information and to the services of the Company Secretary. If necessary, the non-executive directors may take independent professional advice at the Company's expense. This service was utilised during the financial year to review the Company's remuneration report, and its compliance with Australian Corporations Act rules and with rules associated with LSE-listed companies.

Mr Willsteed has been appointed Senior Independent Director and, as such, his main duties are to understand and address the concerns of major shareholders, if these concerns cannot be resolved by the Chairman or the other executive directors, and to meet with other non-executive directors.

Areas of non-compliance

During the financial year, the Company continued to comply with the applicable recommendations of the UK Corporate Governance Code, save as noted below. The Chairman is not independent within the terms of the UK Corporate Governance Code. The Board considers Mr Grey's continued involvement as Non-executive Chairman to be vitally important to the Company at its present stage of development, notwithstanding the fact that the Company is not compliant with the UK Corporate Governance Code in this respect. However, the Board believes that the role of the executive directors, who take collective responsibility for the running of the Company, creates a well-balanced structure capable of managing the Company in an effective and successful manner.

The CEO is not required to offer himself for re-election as suggested by the UK Corporate Governance Code. However, Mr Jordaan will offer himself for re-election at the Company's upcoming Annual General Meeting (AGM) in November 2011, following his appointment in accordance with the Company's Constitution, which is consistent with Australian corporate governance requirements, and thereafter will not be required to offer himself up for re-election.

Terms of appointment as a director

The Constitution of the Company provides that a director, other than the CEO, may not retain office for more than three calendar years or beyond the third AGM following his or her election, whichever is longer, without submitting for re-election. One third of the directors must retire each year and are eligible for re-election. The directors who retire by rotation at each AGM are those with the longest length of time in office since their appointment or last election.

During the year, Mr Grey and Mr Yang retired and both were re-elected by shareholders at the AGM of the Company held on 23 November 2010.

The executive directors are entitled to serve on the boards of other companies and retain any earnings received from rendering these serves. During the financial year, Mr Kovarsky (resigned 31 July 2011) acted as Non-executive Chairman of Randgold & Exploration Limited, for which he received total remuneration of ZAR400,000 for the financial year.

The Nomination Committee

The Nomination Committee is chaired by Mr Grey. Other members include Mr Willsteed and Mr Oke, who are considered by the Board to be independent in character and judgement, thus ensuring the Nomination Committee complies with the recommendation of the UK Corporate Governance Code as to membership. The role of the Nomination Committee is to identify and nominate candidates for the approval of the Board to fill Board vacancies and make recommendations to the Board on Board composition and balance. The Nomination Committee also prepares the Chairman's job description and other significant commitments for which he is responsible. The Committee met once during the financial year.

The Remuneration Committee

The Remuneration Committee, comprising Mr Willsteed (Chairman), Mr Oke and Mr Ballard, all of whom are considered by the Board to be independent, met three times during the financial year. The Committee is responsible for reviewing the performance of the executive directors and for setting the scale and structure of their remuneration, having due regard for the interests of shareholders as a whole and the performance of the Group. The remuneration of the non-executive directors is reviewed by the Board. Where appropriate, the Committee obtains advice from independent remuneration consultants.

The Audit Committee

The Audit Committee comprises Mr Oke (Chairman), Mr Willsteed and Mr Ballard, all of whom are considered by the Board to be independent and both Mr Oke and Mr Ballard are considered to have recent and relevant financial experience. The Committee met three times during the financial year. The Committee reviews the Company's half-year and annual financial statements before submission to the Board for approval as well as any announcements

relating to financial performance. Regular reports from management, the internal audit and the external auditors are also managed by the Committee. Deloitte, as internal auditors to IFM, provide their services which include reviews of financial and operating controls, and the adequacy and effectiveness of the internal control environment of the various business processes that the Board requires to be reviewed. The Audit Committee also monitors the external auditors in respect of the provision of any non-audit services to ensure auditor objectivity and independence is safeguarded. During the year, the external auditors provided non-audit services to the value of ZAR153,350.

The Risk Committee

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategies and policies, internal compliance and internal control. Management is required by the Board to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management. The Company's process of risk management and internal compliance control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these;
- continuously identifying and measuring risks that might impact on the achievement of the Company's goals and objectives;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls.

Comprehensive practices which are in place are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

The Risk Committee consists of Mr Grey (Chairman), Mr Turner, Mr Kovarsky (resigned 31 July 2011), Mr Willsteed and Mr Muller. The Risk Committee met once during the year.

The Treasury Committee

The Treasury Committee was chaired by Mr Muller throughout the year. Other members include Mr Russouw (resigned 30 June 2011); Mr van Dyk, the Chief Financial Officer of IFMSA; and Mr Botha. The Committee met seven times during the year. The purpose of the Treasury Committee is to monitor the Group's financial affairs. The overall treasury objectives are to support the Group's development by ensuring:

- sufficient liquidity, thereby ensuring that the Group is at all times in a position to meet its obligations as they fall due in a timely manner and in all reasonably foreseeable circumstances;
- the most competitive return on surplus cash balances (within acceptable risk levels);
- availability of flexible and competitively-priced funding at all times;
- identification and management of the financial risks arising from operational activities (this would include the hedging of foreign exchange and interest rates movements);
- professional interaction with financial markets; and
- clear accountability within the treasury function.

The monthly treasury reports are included in the Board meetings and information papers.

CORPORATE GOVERNANCE (CONTINUED)

The Investment Committee

The Investment Committee's role is to evaluate potential business investments and acquisitions, consistent with taking a long-term view of value and the existing business plan of IFM, based on selection criteria which, in summary, includes:

- formulation and execution of the business strategy of the Company and its underlying business value;
- key financial indicators, including prospective price earnings relative to projected growth, sustainability of earnings and dividend yield (if applicable), including balance sheet position, gearing, interest cover and cash flow; and
- corporate governance practices, including sound and well-constructed boards.

All new business investment and acquisition proposals presented by management must contain the pre-agreed supporting documentation, including executive summary and management recommendation.

The Company may utilise new or existing lines of credit, which allows the Company to gear its balance sheet when appropriate investment opportunities are available to enhance shareholder returns.

The Investment Committee consists of Mr Grey (Chairman), Mr Turner, Mr Kovarsky (resigned 31 July 2011) and Mr Muller. The Committee did not meet during the year.

Performance evaluation of the Board and committees

The Chairman is responsible for undertaking an annual evaluation of the Board's performance and that of its committees and individual directors.

It is the responsibility of the senior independent director to evaluate the Chairman's performance annually, taking into account the views of executive directors within the Company.

It is envisaged that an externally facilitated review will be carried out every three years.

Attendance at meetings

Attendance at Board, Nomination Committee, Remuneration Committee and Audit Committee meetings is set out on page 43.

Terms of reference

The terms of reference for the Nomination, Remuneration, Audit, Treasury and Investment Committees, explaining their role and the authority delegated to them by the Board, can be viewed on the Company's website at www.ifml.com.

Model Code

The Company has complied with a code of securities dealings in relation to the ordinary shares which is consistent with the Model

Code, set out in the Listing Rules. The code adopted applies to the directors and other relevant employees of the Group.

Share trading

Dealings are not permitted at any time while in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities while a person is in possession of inside information.

Hedging

Directors and executives are not generally permitted to hedge their shareholdings except as prescribed in the Securities Dealing Policy.

Hedging includes entering into any transaction or arrangement in financial products which operates to limit the economic risk of a security holding in the Company, including equity swaps and contracts for difference. Details of the Company's policy in relation to hedging are contained in the remuneration report on page 48 of the annual report.

Communication to market and shareholders

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors and the Company. Information is communicated to shareholders and the market through:

- the annual report, which is distributed to all shareholders;
- other periodic reports which are lodged with the LSE and are available for shareholder scrutiny;
- other announcements made in accordance with LSE Rules;
- special purpose information memoranda issued to shareholders as appropriate; and
- the AGM and other meetings called to obtain approval for Board action as appropriate.

Independent professional advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required (only above A$50,000), which will not be unreasonably withheld.

Ethical standards

All directors, management and staff are expected to consistently apply the highest ethical standards to their conduct to ensure that the Company's affairs and reputation are at all times maintained at the uppermost level.

Going concern

A statement on the directors' position regarding the Company as a going concern is contained in the directors' report on page 43.

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Annual financial report

Details on the Company's financial performance for the year can be found in this section, including the directors' and remuneration reports, all applicable financial statements, and the attending notes.

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Other information

This section contains all relevant corporate information.

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Directors' REPORT

The directors present their report together with the financial report for the year ended 30 June 2011. Directors were in office for this entire year unless otherwise stated.

IFM is an integrated ferrochrome producer listed on the London Stock Exchange (LSE: IFL). The head office is in Sydney, Australia and the production facilities are located in the North West Province of South Africa.

The directors

Name	Age	Current position	Date of appointment to Board
Anthony John Grey	74	Non-executive Chairman	9 December 2002
Stephen John Turner	50	Non-executive Deputy Chairman	26 January 2002
David Chaim Kovarsky	64	Chief Executive Officer to 31 July 2011	1 February 2008
Christiaan Cornelius Jordaan	42	Chief Executive Officer from 1 August 2011	1 August 2011
Xiaoping Yang	56	Executive Director: IFMSA and Non-executive Director: IFML	12 October 2005
Johannes Frederick Jacobus Muller	42	Finance Director and Chief Financial Officer	18 March 2010
Terence Vincent Coleman Willsteed	77	Non-executive Director	12 October 2005
Stephen Douglas Oke	57	Non-executive Director	16 November 2005
Tian Xia	41	Non-executive Director	16 November 2005
John Charles Ballard	65	Non-executive Director	9 March 2010

Principal activities

IFM produces ferrochrome from chromite ore located in the Bushveld Igneous Complex, one of the world's richest mineral repositories and the largest ferrochrome producing regions in the world. IFM's Lesedi chromite mines and integrated beneficiation and smelting operations are situated at Buffelsfontein, 100km north-west of Johannesburg, South Africa. The Company is currently developing the nearby Sky Chrome deposit in which it holds an 80% interest and which will allow the Company to significantly increase production.

Financial highlights

- Sales revenue increased 10% to ZAR1.58 billion
- Higher benchmark prices impacted by lower realised prices and stronger Rand
- Revenue increase achieved due to ore sales of ZAR179 million, despite slightly lower FeCr sales volumes
- Ore sales of 288kt due to furnace shutdowns and improved mining operations
- Rand production costs for the year decreased by 0.5% from prior year
  - H2 Rand production costs 7.6% below H1
  - Eskom prices increased 23.4% on average
- Net borrowings at 30 June 2011 of ZAR248 million
- No dividend to be paid for the year

Operational highlights

- Production down 3% from 200kt to 195kt due to furnace roof leaks and planned shut downs during furnace roof upgrade project
- Sky Chrome open pit mining operations commenced
- Ore beneficiation plant achieved record production in both volume and recovery for the year
- Pelletising and sintering plant achieved record production of 379kt compared to 366kt in the prior year
- UG2 chrome recovery plant construction on track to deliver 15ktpm from January 2012

Post-period highlights

- Furnace roof upgrade project now complete; furnace 1 at full load and furnace 2 expected to reach full load by mid-October
- Co-generation plant restarted and seven of 10 engines currently operating at 65% capacity
- New Chief Executive Officer, Christiaan Jordaan, appointed from 1 August 2011

Executive Directors

David Kovarsky (64) – Chief Executive Officer to 31 July 2011

After studying at the University of Witwatersrand, David qualified as a Chartered Accountant in 1971 and was appointed an Audit Manager at Arthur Andersen. In 1983 he joined JCI as head of corporate finance, and in 1992 headed JCI's ferrochrome arm, CMI. Thereafter he headed Times Media Limited (TML) and served on various boards including TML, SA Breweries, M-Net and Premier Milling. Between 1994 and 2002 he was involved in finance and strategy consulting projects. During this period he served as Chief Financial Officer of two listed gold mining companies. From 2002 to early 2008 he was Chief Executive Officer of Pyromet Technologies, which supplied IFM with its furnace and ancillary equipment. Currently he is the Non-executive Chairman of Randgold & Exploration Company. He resigned as Director and CEO of the Company on 31 July 2011.

Christiaan (Chris) Jordaan (42) – Chief Executive Officer from 1 August 2011

Chris is a mechanical engineer who joined IFM from BHP Billiton, where he was General Manager of the company's Metalloys division, one of the largest producers of manganese alloys in the world, since 2008. Based in South Africa, Metalloys operates an eight submerged arc furnace ferromanganese and silicomanganese plant, including a pelletising plant, metal recovery plant, briquetting plant and electrical power co-generation plant. His role encompassed all operations, human resources, finance and administration, safety, health, environment and community, capital investment and projects. Prior to managing Metalloys, Chris was General Manager of Kermas' Tubatse Chrome plant (previously BHP Billiton's Samancor Chrome) until 2007. His role included the management of a six submerged arc furnaces ferrochrome plant, including pelletising, sintering and chrome recovery producing 400,000tpa of ferrochrome. He worked at Samancor Chrome for eight years. Chris holds a Masters degree in Mechanical Engineering as well as a Masters degree in Business Administration.

Xiaoping Yang (56) – Executive Director of IFMSA and Non-executive Director of IFML

Xiaoping holds a Masters degree from the Beijing University of Science and Technology. He joined Sinosteel Co. as a Project Manager and became Branch General Manager in 1994. Xiaoping moved to South Africa in 1998 where he undertook the role of Managing Director and Chief Executive Officer of ASA Metals (Pty) Ltd, a South African chrome mining and smelter business. Xiaoping joined JISCO as Assistant President in July 2002.

Johannes (Jannie) Muller (42) – Finance Director and Chief Financial Officer

Jannie obtained his Bachelor in Accounting (Honours) degree at the University of Stellenbosch in 1994. After completing his articles with Deloitte & Touche, and qualifying as a Chartered Accountant in 1997, he spent two years in London working for three international investment banks where he gained extensive experience in financial instruments and international financial markets. Upon returning to South Africa he worked as a treasury manager for the Old Mutual Group for four years during which time he qualified as a Chartered Financial Analyst. Thereafter he worked for ABSA Bank for two years as an investment specialist. He joined IFM in 2007 as Group Financial Manager and was appointed Chief Financial Officer in 2009 and Finance Director in March 2010.

Non-executive Directors

Anthony (Tony) Grey – Non-executive Chairman (74)

Tony graduated with a Bachelor of Arts (Honours) in History and a Juris Doctor from the University of Toronto. Thereafter, he practiced law with a major law firm in Toronto for seven years. He immigrated to Australia in 1972 and founded Pancontinental Mining, which he built into a publicly-listed major diversified mining house with interests in gold, base metals, coal, industrial minerals and uranium. He left Pancontinental Mining in 1992 and became a director of National Mutual Royal Bank for four years. Thereafter, Tony was appointed Chairman of Kingsgate Consolidated, a gold mining company listed on the Australian Stock Exchange. In 1992, Tony became a major shareholder and Executive Chairman of Polartechnics Ltd, an Australian Stock Exchange-listed biomedical company developing the revolutionary Australian invention of an optoelectronic means of diagnosing pre-cancer cells and cancer. He is also Non-executive Chairman of Timpetra Resources Limited and Non-executive Director of International Potash Limited. Tony is also a director of Mega Uranium Limited. Tony has written three books and numerous articles about the mining industry.

Stephen Turner – Non-executive Deputy Chairman (50)

Stephen, founder of IFM, has extensive experience in financial markets and has specialised in the natural resources sector. Stephen has delivered resource projects in Australia, Southern Africa, Brazil, Fiji, New Caledonia and the Solomon Islands. He is also Non-executive Chairman of Vantage Goldfields Limited, and a Non-executive Director of Iluka Resources Limited, Timpetra Resources Limited and South American Ferro Metals Limited. He was a founding director of the Australian subsidiary of PSG Investment Group, then South Africa's sixth largest investment bank. He has an extensive network of business contacts and has raised equity capital in Australia, the UK, Hong Kong, Malaysia and the USA. Stephen is an Australian Chartered Accountant.

Terence Willsteed – Non-executive Director (77)

Terence holds a Bachelor of Engineering (Mining) (Honours) and a Bachelor of Arts and is a Fellow of the Australasian Institute of Mining and Metallurgy. Since 1973 he has been the principal of consulting mining engineers Terence Willsteed & Associates. His 50-year career in the mining industry has included senior operational and engineering management positions with Zinc Corporation, Mt Isa Mines Limited and Consolidated Goldfields Limited. His recent public directorships include European Gas Limited, Austral Gold Limited, Citigold Corporation Limited, Vantage Goldfields Limited, Goldsearch Limited, Timpetra Resources Limited and South American Ferro Metals Limited. In his consulting experience, he has been involved in the assessment and development of a wide range of mineral, coal and oil shale projects, and has participated in the management of developing and operating mineral projects both in Australia and internationally.

Stephen Oke – Non-executive Director (57)

Stephen holds a Bachelor of Science (Honours) degree in Geology from the University of Southampton and an MBA from the University of the Witwatersrand Graduate School of Business. He has over 30 years' experience in the mining and metals industry of which some 12 years were spent in various operational management positions for the National Coal Board, Anglovaal Ltd, BP Coal and Johannesburg Consolidated Investment Co Ltd. Subsequently he has held senior positions in the investment banking industry for Smith New Court, Merrill Lynch, NM Rothschild and Sons and Standard Bank, specialising in the metals and mining sector where he advised on a number of transactions and equity capital fund raisings worldwide. Stephen is currently Chairman of African Mining and Exploration Plc and a director of Shaft Sinkers Holdings Plc, Kolar Gold Limited and various private natural resource companies.

Non-executive Directors (continued)

Tian Xia – Non-executive Director (41)

Tian received a Bachelor of Industrial Accounting degree in 1992 from the East China University of Metallurgy. In the same year she joined JISCO as an accountant. Tian became a Certified Public Accountant of China in 1996 and received an MBA degree in 2000 from Xi'an University of Science and Technology. She was appointed Chief Financial Officer of the JISCO Group in 2008.

John Ballard – Non-executive Director (65)

John has extensive experience across a wide range of industries as both a senior executive and a non-executive director. He was previously Managing Director and Chief Executive Officer of Southcorp Limited; Managing Director of Asia Pacific, United Biscuits Limited and Managing Director Snack Foods, Coca-Cola Amatil Limited; a Director of Woolworths Limited and Email Limited; Chairman of Wattyl Limited; a Director of CSR Limited and subsequently Rinker Limited and a Trustee of the Sydney Opera House Trust. He is currently a Director of Fonterra Co-operative Group Limited, a Director of Magellan Flagship Fund Limited, Chairman of the Advisory Funds at Pacific Equity Partners, a Director of the Sydney Neuro Oncology Group and Chairman of Elders Limited. John is a Fellow of the Australian Institute of Company Directors and holds an MBA from Columbia University, New York.

Management

The management of the Group, excluding the executive directors mentioned above, include:

Willem (Wimpie) van Wyk – General Manager: Mining (44)

Wimpie has more than 22 years' mining experience in the gold and chrome industries. He holds a Higher National Diploma in Metalliferous Mining, is a registered professional engineer with the Engineering Council of South Africa and holds a Mine Manager's Certificate and a Mine Overseer's Certificate of Competency. Prior to joining IFM in January 2010, he was employed by a leading global ferrochrome producer and was responsible for 660,000tpa run-of-mine from open cast operations and 5 million tpa run-of-mine from underground operations. He has managed five underground mines, one quartz mine and two open pit mines. Wimpie has extensive experience in managing expansion projects. Wimpie resigned in August 2011.

Ben Fourie – General Manager: Mining (47)

Ben has more than 22 years' experience in the mining industry. He holds a Bachelor of Engineering (Mining) degree from the University of Pretoria as well as a Mine Manager's Certificate. Prior to joining IFMSA's mining division in September 2011, Ben was employed by one of the world's largest platinum producers. From a graduate in training, he received regular promotions to Section Manager, Unit Business Manager, General Manager and ultimately Vice-President responsible for mine services. In the process, Ben managed sites with large numbers of employees (6,500 being the largest) producing 360,000tpm with 340,000tpm through metallurgical plants. In his capacity as Vice President, he was among others, Chairman of the Development Trust and a member of the Executive Working Committee of the ICMM. He was further responsible for long-term and strategic planning, resource management, and other mining services on group level. Ben joined IFM in September 2011.

Management (continued)

Michael Lillja – General Manager: Marketing (49)

Michael graduated in 1987 in international sales and marketing, with a Master Science of Economics degree in Helsinki Finland, and has an MBA. From 1987 he spent two and a half years in Greece working in the crude oil sector as Head of Black Sea operations, after which he spent seven years in the Former Soviet Union as Purchasing Manager for crude oil and oil-refined products. In 1996 he joined Alloys Finland/Millennium 2000 (Alloy 2000/ENRC), responsible for the logistics, sales and marketing of the Kazkrom-Kazakh ferrochrome producer, until 2002 when he moved to work for two years in the carbon steel sector as Head of Sales. In 2005 he returned to the ferrochrome industry where he was responsible for the marketing and selling of chrome ores and charge chrome. Michael resigned in March 2011.

Maarten Nienaber – General Manager: Works (49)

Maarten is a qualified electronic engineer from the University of Pretoria. He is currently studying towards obtaining an MBL degree at the University of South Africa. Prior to joining the Company, he worked for a leading global ferrochrome producer and was responsible for introducing the South African cost model and operating philosophy to the Australian Vanadium environment. He has also been extremely successful in ensuring the consistent achievement of lower production costs coupled with high efficiencies and throughput. Maarten joined IFM in May 2010 as General Manager: Works.

Hannes van Dyk – Chief Financial Officer: IFMSA (44)

After qualifying in financial management in 1990, Hannes was involved in operational finance in different corporate manufacturing environments in South Africa up until 1996 when he joined the mining and smelting industry at one of the leading ferrochrome producers in South Africa. In 1999 he was awarded a Masters degree in Accounting after completion of his dissertation. His experience has ranged from cost and financial management, tax, accounting, governance and internal control as well as extensive management experience within the ferrochrome industry. Hannes also held various positions with extensive board exposure to multinational corporate shareholders. He joined IFM in December 2008.

Company Secretary

Wayne Kernaghan

Wayne is a member of the Institute of Chartered Accountants in Australia with a number of years' experience in various areas of the mining industry. He is also a Fellow of the Australian Institute of Company Directors and a Chartered Secretary.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of IFM were:

	Number of ordinary shares
D C Kovarsky (resigned 31 July 2011)	100,000
X Yang	166,667
J F J Muller	150,000
A J Grey	1,466,667
S J Turner	7,291,667
T V Willsteed	1,250,000
S D Oke	150,000
T Xia	166,667
J C Ballard	400,000
C C Jordaan (appointed 1 August 2011)	200,000

There were no options held over ordinary shares at the date of this report.

Reserve and Resource Statement

Mineral Resource and Mineral Reserve Statement of IFM as at 30 June 2011

Mineral Reserves[1] (ROM feed numbers)					Mineral Resources (geological losses applied)				
	Attributable (%)	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Attributable (%)	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:					MEASURED:				
Lesedi: underground	99.375				**Lesedi: underground**	99.375			
MG2		10,191	22.34	1.06	MG2		6,630	37.20	1.34
MG1		5,930	32.15	1.35	MG1		4,867	40.26	1.49
Lesedi: open pit	99.375				**Lesedi: open pit**	99.375			
MG3		79	30.27	1.24	MG3		68	35.40	1.28
MG2		152	34.51	1.31	MG2		137	35.99	1.33
MG1		83	36.16	1.39	MG1		70	41.27	1.46
Sky Chrome: underground	80				**Sky Chrome: underground**	80			
MG2		16,580	28.39	1.22	MG2		24,659	32.29	1.29
MG1		17,257	28.91	1.30	MG1		25,148	34.91	1.43
Sky Chrome: open pit	80				**Sky Chrome: open pit**	80			
MG4		635	28.94	1.23	MG4		671	30.67	1.26
MG3		355	24.29	1.19	MG3		310	27.25	1.22
MG2		930	27.14	1.19	MG2		704	32.75	1.29
MG1		742	33.55	1.36	MG1		666	36.53	1.42
MG0		204	30.49	1.32	MG0		179	33.30	1.38
Total Proved		**53,138**	**27.89**	**1.23**	**Total Measured**		**64,109**	**34.36**	**1.37**
PROBABLE:					INDICATED:				
Lesedi: underground	99.375				**Lesedi: underground**	99.375			
MG2		3,283	22.34	1.11	MG2		1,932	37.81	1.43
MG1		2,511	31.87	1.39	MG1		2,084	39.77	1.54
Lesedi: open pit	99.375				**Lesedi: open pit**	99.375			
MG4					MG4		237	31.67	1.24
Sky Chrome: underground	80				**Sky Chrome: underground**	80			
MG2		10,556	29.56	1.23	MG2		12,224	33.48	1.30
MG1		11,262	28.13	1.28	MG1		12,047	33.58	1.40
Sky Chrome: open pit	80				**Sky Chrome: open pit**	80			
MG4		721	27.31	1.20	MG4		768	28.68	1.23
MG3		832	23.39	1.18	MG3		648	29.07	1.26
MG2		3,112	28.04	1.21	MG2		2,346	34.03	1.31
MG1		2,016	33.85	1.36	MG1		1,805	36.95	1.42
MG0		290	28.84	1.26	MG0		260	30.60	1.30
Total Probable		**34,583**	**28.49**	**1.25**	**Total Indicated**		**34,351**	**34.06**	**1.36**

Reserve and Resource Statement (continued)

Mineral Resource and Mineral Reserve Statement of IFM as at 30 June 2011 (continued)

Mineral Reserves[1] (ROM feed numbers)					Mineral Resources (geological losses applied)				
	Attributable (%)	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Attributable (%)	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
Proved and Probable Reserves:		87,721	28.12	1.24	**Measured and Indicated Resources:**		98,460	34.32	1.36
					INFERRED:				
					Lesedi: underground	99.375			
					MG2		2,766	37.75	1.45
					MG1		2,745	40.09	1.57
					Sky Chrome: underground	80			
					MG2		10,902	33.63	1.30
					MG1		8,789	35.75	1.45
					Sky Chrome: open pit	80			
					MG4		2,005	30.48	1.28
					MG3		159	32.85	1.32
					MG0		187	30.17	1.29
					Inferred Resources		27,553	35.11	1.39
Total Reserves		**87,721**	**28.12**	**1.24**	**Total Resources**		**126,013**	**34.49**	**1.37**

[1] *Mineral Reserves used in SAMREC and IMMM Codes whereas termed Ore Reserves in the JORC Code.*

* *Tonnages and grades for the MG2 reserves include the parting between the individual reefs.*

The information in this report that relates to exploration results is based on information compiled by the IFM-appointed Competent Person, HB Swart (Pr.Sci.Nat). The Competent Person has sufficient experience relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC), as well as the 2007 edition of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC).

The Measured and Indicated Mineral Resources for Sky Chrome declared at 30 June 2011 remained at approximately the same levels from that declared in June 2010. However, the open pit resources decreased and the underground resources increased. Mining commenced in the open pit which revealed anomalies in the previous Lefatshe geology model:

- the outcrop positions were exposed further north than in the previous model, which reduced the available open pit area;
- the seams were thinner than previously indicated, which reduced the open pit volumes; and
- the dip increased from what was indicated before, which also reduced the available open pit area.

As a result all the boreholes were re-evaluated and a new database created, which resulted in a new geology model. At the same time industry benchmark categorisation methodology was employed, which resulted in a large amount of underground Indicated Resources converting to Measured Resources. This also resulted in the abovementioned increase in underground resources.

The Lesedi Mineral Resources declared at 30 June 2011 decreased slightly from that declared in June 2010 due to:

- mining depletion;
- the removal of the MG1 between strike 0 and strike 1, between two major faults as a result of poor ground conditions; and
- the removal of the MG2 resource above the main shaft system which was erroneously reported in the past.

The decrease was positively impacted by the inclusion of open pit resources and a new underground MG2 area adjacent to the current Lesedi open pit.

The combined Sky Chrome and Lesedi Mineral Resources declared at 30 June 2011 decreased from that declared in June 2010 by 2.222Mt and the Cr_2O_3 grade by 3.36% and the Cr to Fe ratio by 0.05.

The Mineral Reserves for Lesedi declared at 30 June 2011 increased from that declared in June 2010 due to the amount of waste mining as reported by Mineral Resource management staff. The Mineral Reserves for Sky Chrome declared at 30 June 2011 increased from that declared in June 2010 due to the increase in Measured and Indicated Resources as mentioned above. The combined Sky Chrome and Lesedi Mineral Reserves declared in June 2011 increased from that declared at 30 June 2010 by 13.230Mt and the Cr_2O_3 grade decreased by 2.08% and the Cr to Fe ratio by 0.05.

Dividends

The Board resolved not to declare a dividend for the year ended 30 June 2011.

Significant changes in the state of affairs

Other than the above there were no significant changes in the state of affairs of the Group for the year ended 30 June 2011.

Matters subsequent to balance sheet date

Other than those outlined in note 34 to the financial statements, no matters or circumstances have arisen since 30 June 2011 that have significantly affected or may significantly affect:

- the Company's operations in future financial years; or
- the result of those operations in future financial years; or
- the Company's state of affairs in future financial years.

Likely developments

Further information on likely developments in the operations of the entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the entity.

Environmental regulation

The Group is compliant with all the applicable environmental regulations.

Insurance of officers

During the financial year, a premium was paid to insure the directors, officers and secretary of IFM.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the numbers of meetings attended by each director were as follows:

Attendance at meetings up to and including the date of this annual report, namely 30 June 2011, is indicated below:

Name	Board 15	Audit Committee 3	Remuneration Committee 3	Nomination Committee Nil
David Kovarsky (resigned 31 July 2011)	14	n/a	n/a	n/a
Anthony Grey	14	n/a	n/a	–
Stephen Turner	15	n/a	n/a	n/a
Xiaoping Yang	13	n/a	n/a	n/a
Jannie Muller	15	n/a	n/a	n/a
Terence Willsteed	15	3	3	–
Stephen Oke	14	3	3	–
Tian Xia	9	n/a	n/a	n/a
John Ballard	14	3	3	n/a

Going concern

As at the date of this report, the Company has drawn down ZAR400 million on the Bank of China working capital facility which is due to be repaid on 25 June 2012. The Board is progressing plans to renew the Bank of China facility before it expires. In addition, the Board is confident that the Company has additional avenues of funding available to it which could be used with forecast operating cash flows to repay this facility should it

not be renewed. For this reason, after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and hence, continues to adopt the going concern basis in preparing the accounts.

Rounding

The amounts contained in the financial report for the year ended 30 June 2011 have been rounded to the nearest ZAR1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Auditor independence

The directors received a declaration from Ernst & Young, which is on page 65.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	ZAR
Other assurance services	153,350

Remuneration REPORT (AUDITED)

Introduction

The directors of IFM present the remuneration report for the Group for the year ended 30 June 2011. This remuneration report forms part of the directors' report in accordance with the requirements of the Corporation Act 2001 and its Regulations. The Remuneration Committee believes the report complies with the requirements of the UK Companies Act 2006 (and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made thereunder) and the relevant requirements of the Listing Rules of the UK Listing Authority. A resolution to approve the report will be proposed at the AGM of the Company on 23 November 2011.

For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives of the parent and the Group receiving the highest remuneration.

Table 1: The details of the Key Management Personnel are:

Name	Position
Anthony Grey*	Non-executive Chairman
Stephen Turner*	Non-executive Deputy Chairman
David Kovarsky	Chief Executive Officer to 31 July 2011
Christiaan Jordaan	Chief Executive Officer from 1 August 2011
Xiaoping Yang	Executive Director: IFMSA and Non-executive Director: IFML
Jannie Muller	Finance Director and Chief Financial Officer
Terence Willsteed*	Independent Chairman: Remuneration Committee
Stephen Oke*	Independent Chairman: Audit Committee
Tian Xia*	Non-executive director: IFML
John Ballard*	Independent Non-executive Director: IFML
Wimpie van Wyk	General Manager: Mining (resigned August 2011)
Ben Fourie	General Manager: Mining (appointed September 2011)
Michael Lillja	General Manager: Marketing (resigned March 2011)
Maarten Nienaber	General Manager: Works
Hannes van Dyk	Chief Financial Officer: IFMSA

* *Non-executive Director.*

Remuneration Committee

The Remuneration Committee of the Board of the Company is responsible for determining and reviewing remuneration arrangements for the directors and executive management. The Committee members who served at any time during the year were as follows:

- Terence Willsteed (Chairman);
- Stephen Oke; and
- John Ballard.

The number of meetings held during the year and the numbers of meetings attended by each committee member follows:

Terence Willsteed	3 out of 3
Stephen Oke	3 out of 3
John Ballard	3 out of 3

The CEO attends meetings of the Remuneration Committee at the invitation of the Chairman of the Remuneration Committee. In the course of its deliberations, the Committee considered the views of the CEO on the remuneration and performance of senior executives. No director is present when his or her own remuneration is being discussed.

Remuneration policy and principles

The Remuneration Committee will assess the appropriateness of the nature and amount of emoluments of officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of high-quality directors and executive management.

The Company's remuneration policies are still under review and will embrace the following principles:

- The remuneration structures are simple and transparent and are benchmarked against other international miners and against other companies of similar size. The Company's remuneration is structured to deliver approximately median total remuneration for median performance and upper quartile remuneration for upper quartile performance.
- A meaningful proportion of senior executive remuneration will be delivered through long-term share-based pay. Long-term pay will accrue to the executive on the achievement of long-term goals that will be compared to industry peers and Company performance. Where possible, senior executives will be encouraged to retain shares vesting from the Company's incentive schemes until a minimum shareholding is achieved.
- Annual bonuses will be based on Company financial, operational and individual performance.
- Incentive targets may be adjusted by the Remuneration Committee for significant non-performance related items which are wholly outside management control and may otherwise distort the measurement of performance, such as changes in accounting standards. The rules governing vested-but-deferred awards will incorporate a provision allowing the Remuneration Committee to claw back incentive payments if the performance that justified their payment is subsequently found to have been misjudged or misstated.

The Committee will consult with its shareholders on proposed changes in due course.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

To enable the Company to attract and retain the services of suitable individuals to serve as non-executive directors, the Board seeks to remunerate at a level that provides the Company with this objective, while incurring a cost that is acceptable to shareholders.

Structure

The LSE Listing Rules and Board Charter specify that the maximum aggregate cash fees of non-executive directors shall be approved by shareholders. The shareholders have approved the maximum aggregate cash remuneration of £750,000 per annum.

Each non-executive director receives a base fee per annum, as detailed in Table 2, with additional fees for Committee activities. Non-executive director fees do not vary according to the performance of the Company, nor do non-executive directors receive retirement benefits other than those required by legislation.

Non-executive director fees have previously included the possibility of share options, but the Board has decided not to make any further option grants to non-executive directors. Only two non-executive directors, Anthony Grey and Stephen Turner, continue to hold phantom options and these were granted to them while they were executives.

The remuneration of non-executive directors for the years ended 30 June 2011 and 30 June 2010 is detailed in Tables 2 and 3 of this report respectively.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration that is commensurate with their position and responsibilities within the Group so as to align the interests of executives with those of shareholders and ensure total remuneration is competitive by industry standards.

Structure

The remuneration levels for executives are market-aligned by comparison against equivalent roles in similar operations and industries. The Remuneration Committee engages external consultants to provide independent advice on salary levels and incentives for comparable executive positions in similar company structures.

The Group has entered into detailed contracts of employment with Key Management Personnel and standard contracts with other executives. Details of these contracts are provided below.

Remuneration consists of the following key elements:
- fixed remuneration (base salary, superannuation, consulting fees and non-monetary benefits); and
- variable remuneration, consisting of:
  - short-term incentive (STI); and
  - long-term incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential short-term and long-term incentives) for each executive is set out in Table 2.

Fixed remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The last review was performed during May 2011. The process consists of a review of relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Structure

Executives receive their fixed remuneration in cash. Details of the fixed remuneration component of executives are detailed in Table 2. Executive directors have not received a salary increase since 1 July 2008.

Variable remuneration - short-term incentive (STI)

Objective

The objective of the STI is to link the achievements of the Group's production and cost control targets with the remuneration received by the executives and employees responsible to meet those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executives and employees to achieve the operational targets and at a cost to the Group that is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive and employee depends on the extent to which specific targets are met. Provisions are accrued in the financial year in which the targets are set, with payments delivered as a cash bonus in the following reporting period.

STI awards for the 2011 financial year

Executive directors

The three executive directors of the Group did not participate in the bonus for the year ended 30 June 2011, and did not receive bonuses in respect of the 2009 or 2010 financial years.

Key management and selected employees

During the 2011 financial year, STI bonuses were approved for key management and selected employees. Bonuses awarded in respect of the year ended 30 June 2011 are to be paid in three equal annual instalments commencing 30 June 2011 and ending 30 June 2013 (refer to Table 2 for further details of tranche 1 payments). To qualify for each of the three bonus payments, employees must be in the employment of IFM on 30 June 2011, 30 June 2012 and 30 June 2013 respectively.

Variable remuneration – long-term incentive (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner that provides incentives aimed at increasing the market value of the Group and as a retention mechanism. This incentive is separate from the bonus schemes which are related to short-term performances.

Structure

A Phantom Option Scheme was introduced on 15 November 2006 as a long term-incentive scheme. Options are offered to eligible Key Management Personnel and employees subject to the satisfaction of certain vesting and exercise conditions. A cash amount is determined by reference to the excess of the market price of an ordinary share in the Company over the exercise price at the time the options are exercised. The options, in most cases, vest in equal tranches over three years subject to the recipients' continued employment by the Company. The options may also vest immediately. Vesting and exercise conditions are determined by the Board. Executives are able to exercise the share options for up to five years from the grant of the options.

Each tranche of these options has a price cap of £1.00. Historically, no supplementary performance conditions have been attached to the vesting of option grants (in line with South African practice). For each phantom option issuance, specific terms relating to vesting conditions, term and pricing are recommended by the Remuneration Committee and, if deemed appropriate, approved by the Board. Refer to Table 4 of this report for details of the phantom options granted. No options were granted in the year under review.

As mentioned in the 2010 remuneration report, the long-term incentive structure is still under review and the Company intends to introduce a performance share scheme, which will require shareholder approval. Details of the scheme will be announced once the Board has approved the scheme.

Equity settled share options have been granted to certain executive directors at the time of joining the Board. There are no outstanding equity options at year end.

Share trading and margin loans by directors and executives

Directors and executives are not permitted to hedge their shareholdings or share options except where each of the following requirements has been satisfied:

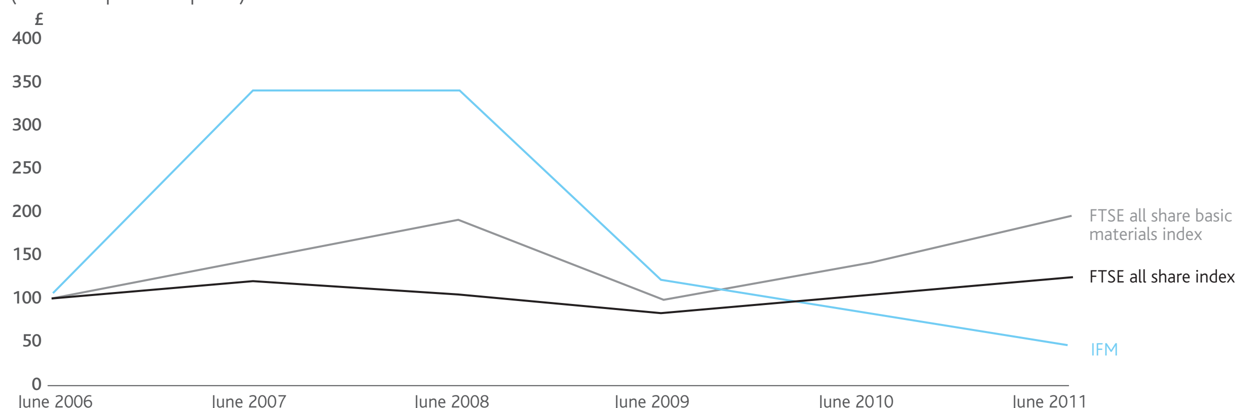
- permission has been obtained from the Chairman;
- the shares have fully vested and are not subject to any hurdles or transfer restriction;
- the hedge transaction is treated as a sale or purchase of shares by the director or executive and the relevant approvals, disclosures (to the LSE, as appropriate) and notifications are made on this basis;
- the hedge transaction may not be entered into, renewed, altered or closed out when the director or executive is in possession of price sensitive information; and
- all costs or expenses associated with any hedging arrangement are to the director's or executive's own account.

No such requests for hedging shareholdings or share options have been received.

Performance review

The graph below compares the Company's total shareholder return over the period June 2006 to June 2011 with the FTSE All Share Index.

Total shareholder return – value of hypothetical £100 holding
(based on spot share prices)



Source: Bloomberg
Notes: TSR based on September 2005 IPO / year-end prices

The Company is a member of the FTSE All Share Index and, accordingly, this is considered to be an appropriate broad equity market index for the purpose of demonstrating the Company's relative performance.

Employment contracts

The following should be read with reference to the STI structure, LTI structure (above) and Tables 2 and 4 (below).

Mr Anthony Grey

Non-executive Chairman (appointed 1 January 2009)

The current service agreement commenced 1 January 2009. Under the terms of the present contract:

- Mr Grey is paid a service fee, in his current role as Non-executive Chairman, of A$275,000 per annum, an additional fee of A$25,000 per annum for all Board committees and an additional fee of A$12,500 per annum for acting as Chairman of such committees.
- Mr Grey will provide his services as director for four days per month.
- Additional consulting work for the Company undertaken by Mr Grey for more than four days in any month is paid at the rate of A$450 per hour.
- Mr Grey did not undertake additional work for the Company during the year.
- Mr Grey was not granted any equity-settled share options during the year ended 30 June 2011.
- Mr Grey was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Mr Grey giving the Company not less than 12 months' notice in writing. The Company may terminate the agreement without cause by providing not less than 12 months' written notice or by making a lump sum payment in lieu of any such period of notice. Payment is also applicable if there is a 50% or more takeover bid and any options outstanding will immediately vest and be exercisable, and only applies if employment is terminated. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Grey's employment at any time without any compensation payable.

Mr Stephen Turner

Non-executive Deputy Chairman (appointed 1 January 2009)

The current service agreement commenced 1 January 2009. Under the terms of the present contract:

- Mr Turner is paid a service fee, in his current role as Non-executive Deputy Chairman, of A$200,000 per annum, an additional fee of A$25,000 per annum for all Board committees and an additional fee of A$12,500 per annum for acting as Chairman of such committees.
- Mr Turner will provide his services as director for four days per month.
- Additional consulting work for the Company undertaken by Mr Turner for more than four days in any month is paid at the rate of A$450 per hour.
- Mr Turner did not undertake additional work for the Company during the year.
- Mr Turner was not granted any equity-settled share options during the year ended 30 June 2011.
- Mr Turner was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Mr Turner giving the Company not less than 12 months' notice in writing. The Company may terminate the agreement without cause by providing not less than 12 months' written notice or by making a lump sum payment in lieu of any such period of notice. Payment is also applicable if there is a 50% or more takeover bid and any options outstanding will immediately vest and be exercisable and only applies if employment is terminated. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Turner's employment at any time without any compensation payable.

Mr Terence Willsteed

Non-executive Director

Mr Willsteed was appointed Non-executive Director on 12 October 2005. Under the terms of the present contract:

- Mr Willsteed is paid a service fee of A$125,000 per annum, an additional fee of A$25,000 per annum for all Board committees and an additional fee of A$12,500 per annum for acting as Chairman of such committees.
- Mr Willsteed will provide his services as director for two days per month.

- If his Board activities require him to allot more time than this, the fee will be adjusted on a pro rata per diem basis at the discretion of the Board.
- Mr Willsteed did not undertake additional work for the Company during the year.
- Mr Willsteed was not granted any share options during the year ended 30 June 2011.
- Mr Willsteed was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Mr Willsteed giving the Company not less than 12 months' notice in writing. The Company may terminate the agreement without cause by providing not less than 12 months' written notice or by making a lump sum payment in lieu of any such period of notice. On 12 November 2009, Mr Willsteed voluntarily agreed to cancel the provision in his contract that would allow him to receive a payment in the event of a successful acquisition of IFM. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Willsteed's employment at any time without any compensation payable.

Mr Stephen Oke
Non-executive Director

Mr Oke was appointed a Non-executive Director on 16 November 2006. Under the terms of the present contract:

- Mr Oke is paid a service fee of A$125,000 per annum, an additional fee of A$25,000 per annum for all Board committees and an additional fee of A$12,500 per annum for acting as Chairman of such committees.
- Mr Oke will provide his services as director for two days per month.
- If his Board activities require him to allot more time than this, the fee will be adjusted on a pro rata per diem basis at the discretion of the Board.
- Mr Oke did not undertake additional work for the Company during the year.
- Mr Oke was not granted any share options during the year ended 30 June 2011.
- Mr Oke was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Mr Oke giving the Company not less than 12 months' notice in writing. The Company may terminate the agreement without cause by providing not less than 12 months' written notice or by making a lump sum payment in lieu of any such period of notice. On 12 November 2009, Mr Oke voluntarily agreed to cancel the provision in his contract that would allow him to receive a payment in the event of a successful acquisition of IFM. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Oke's employment at any time without any compensation payable.

Ms Tian Xia
Non-executive Director

Ms Xia was appointed a Non-executive Director on 16 November 2006. Under the terms of the present contract:

- Ms Xia is paid a service fee of A$125,000 per annum, an additional fee of A$25,000 per annum for all Board committees and an additional fee of A$12,500 per annum for each Board committee of which she is a Chairperson acting as Chairperson of such committees.
- Ms Xia will provide her services as director for two days per month.
- If her Board activities require her to allot more time than this, the fee will be adjusted on a pro rata per diem basis at the discretion of the Board.
- Ms Xia did not undertake additional work for the Company during the year.
- Ms Xia was not granted any share options during the year ended 30 June 2011.
- Ms Xia was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Ms Xia giving the Company not less than 12 months' notice in writing. The Company may terminate the agreement without cause by providing not less than 12 months' written notice or by making a lump sum payment in lieu of any such period of notice. If a successful acquisition is accepted by holders of at least 50% of shares, Ms Xia will receive a fee of £42,500 for an offer of 50 pence per share increasing by £1,250 for each 1 pence variation per share above 50 pence, with any increase capped at an offer price of £1 per share. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Ms Xia's employment at any time without any compensation payable.

Mr John Ballard
Non-executive Director

Mr Ballard was appointed a Non-executive Director on 9 March 2010. Under the terms of the present contract:

- Mr Ballard is paid a service fee of A$125,000 per annum, an additional fee of A$25,000 per annum for all Board committees and an additional fee of A$12,500 per annum for acting as Chairman of such committees.
- Mr Ballard will provide his services as director for two days per month.
- If his Board activities require him to allot more time than this, the fee will be adjusted on a pro rata per diem basis at the discretion of the Board.
- Mr Ballard did not undertake additional work for the Company during the year.
- Mr Ballard was not granted any share options during the year ended 30 June 2011.
- Mr Ballard was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Mr Ballard giving the Company not less than 12 months' notice in writing. The Company may terminate the agreement without cause by providing not less than 12 months' written notice or by making a lump sum payment in lieu of any such period of notice. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Ballard's employment at any time without any compensation payable.

Mr David Kovarsky
Chief Executive Officer to 31 July 2011

Mr Kovarsky was employed under a fixed contract commencing from 1 February 2008. The employment term was for four years, subject to termination provisions. Under the terms of the contract:

- Mr Kovarsky was paid an annual salary of ZAR3,564,281.
- A retention fee of ZAR8,997,492, was paid for the services that Mr Kovarsky will provide over the period of his employment contract. The amortised value of this retention fee amounted to ZAR2,561,786 for the year ended 30 June 2011. Had Mr Kovarsky resigned prior to the end of his employment contract, he would have repaid the unamortised value as at the date of his resignation. On termination or death, the fee was not repayable.
- Mr Kovarsky was not granted any share options during the year ended 30 June 2011.
- Mr Kovarsky was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Mr Kovarsky giving the Company not less than six months' notice in writing. The Company may terminate the agreement without cause by providing not less than 12 months' written notice provided that such notice cannot be given by IFM within the first six calendar months of Mr Kovarsky's employment or on expiry of the first six calendar months of Mr Kovarsky's employment by paying his cost to company for the 12 months' immediately prior to ceasing employment, including bonuses, in lieu of such notice. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Kovarsky's employment at any time. A termination payment will not be payable on resignation or dismissal for serious misconduct.
- Mr Kovarsky's employment with the Company terminated on 31 August 2011 and Mr Kovarsky resigned as Director and Chief Executive Officer of the Company on 31 July 2011.
- As part of Mr Kovarsky's termination agreement, he will be paid a termination fee of ZAR3,564,281 and will not repay the unamortised value of the retention fee. He will also be entitled to the third tranche of options in terms of the Phantom Option Scheme. These shall vest on 1 August 2011. Mr Kovarsky will have until 31 December 2011 to exercise any rights in terms of these options and the scheme.

Mr Christiaan Jordaan
Chief Executive Officer from 1 August 2011

Mr Jordaan was employed under a fixed contract commencing from 1 August 2011. The employment term is for four years, subject to termination provisions. Under the terms of the present contract:

- Mr Jordaan will be paid an annual salary of ZAR3,500,000.
- Mr Jordaan will be granted 4,000,000 share options, subject to shareholder approval and vesting conditions as the parties agree. Mr Jordaan will also receive ZAR6,000,000 worth of shares, subject to shareholder approval and certain performance conditions as the parties agree.

- Mr Jordaan will not be granted phantom options under the current terms of the contract.
- The service agreement may be terminated at any time by Mr Jordaan giving the Company six months' written notice at any time after six months from the commencement date of the contract. The Company may terminate the contract at any time by giving Mr Jordaan 12 months' prior written notice of termination at any time after six months' from the commencement date of the contract. Instead of giving such notice of termination, the Company may make a lump sum payment in lieu of any such period of notice equal to 100% of the amount of Mr Jordaan's cost to company payable to him for the 12 months prior to the termination date. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Jordaan's employment at any time. A termination payment will not be payable on resignation or dismissal for serious misconduct.

Mr Xiaoping Yang
Non-executive Director of the Company and Executive Director of IFMSA

Mr Yang was appointed Non-executive Director of the Company and as an Executive Director of IFMSA on 12 October 2005. Mr Yang is not entitled to an additional annual director's fee for acting as a director of the Company.

IFMSA entered into a service contract on 20 March 2006 with Mr Yang. He is employed under a rolling contract. Under the terms of the present contract:
- Mr Yang is paid an annual salary of ZAR2,212,308.
- Mr Yang was not granted any share options during the year ended 30 June 2011.
- Mr Yang was not granted any phantom options during the year ended 30 June 2011.
- The service contract may be terminated without cause by either party giving not less than 30 days' notice in writing, or by IFMSA paying Mr Yang his remuneration for such period in lieu of notice. IFMSA may also terminate the service contract without notice if Mr Yang is in breach of the service contract without making any termination payment.

Mr Jannie Muller
Finance Director and Chief Financial Officer

Mr Muller entered into a service agreement with IFML on 1 June 2007 as Group Financial Manager. On 23 July 2009, Mr Muller was appointed Chief Financial Officer. Mr Muller has since been appointed to the Board as Finance Director effective 18 March 2010. Mr Muller is employed under a rolling contract. Under the terms of the present contract:
- Mr Muller is paid an annual salary of ZAR2,400,000.
- Mr Muller was not granted any share options during the year ended 30 June 2011.
- Mr Muller was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Mr Muller giving the Company not less than six months' notice in writing. The Company may terminate the agreement without cause by providing not less than six months' written notice or by making a lump sum payment in lieu of any such period of notice equal to 50% of the then current annual salary at the termination date. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Muller's employment at any time without any compensation payable.

Mr Wimpie van Wyk
General Manager: Mining – IFMSA (Resigned 31 August 2011)

- Mr van Wyk was paid an annual salary of ZAR2,905,000.
- In respect of Mr van Wyk's service, an incentive payment of ZAR968,000 was accrued at 30 June 2011, with payment made in July 2011. Refer to STI structure for further details.
- Mr van Wyk was not granted any share options during the year ended 30 June 2011.
- Mr van Wyk was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Mr van Wyk giving the Company not less than three months' notice in writing. The Company may terminate the agreement without cause by providing not less than three months' written notice. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr van Wyk's employment at any time without any compensation payable.

Mr Ben Fourie
General Manager: Mining – IFMSA (Appointed 1 September 2011)

- Mr Fourie will be paid an annual salary of ZAR2,500,000.
- Mr Fourie will not be granted any share options .
- Mr Fourie will be granted 500,000 phantom options.
- The service agreement may be terminated at any time by Mr Fourie giving the Company not less than three months' notice in writing. The Company may terminate the agreement without cause by providing not less than three months' written notice. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Fourie's employment at any time without any compensation payable.

Mr Michael Lillja
General Manager: Marketing (Resigned 31 March 2011)

- Mr Lillja was paid an annual salary of €235,000.
- Mr Lillja was not granted any share options during the year ended 30 June 2011.
- Mr Lillja was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Mr Lillja giving the Company not less than three months' notice in writing. The Company may terminate the agreement without cause by providing not less than three months' written notice. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Lillja's employment at any time without any compensation payable.

Mr Maarten Nienaber
General Manager: Works

- Mr Nienaber is paid an annual salary of ZAR2,580,000.
- In respect of Mr Nienaber's service, an incentive payment of ZAR50,667 was paid in November 2010 and ZAR1,075,000 was accrued at 30 June 2011, with payment made in July 2011. Refer to STI structure for further details.
- Mr Nienaber was not granted any share options during the year ended 30 June 2011.
- Mr Nienaber was not granted any phantom options during the year ended 30 June 2011.
- The service agreement may be terminated at any time by Mr Nienaber giving the Company not less than three months' notice in writing. The Company may terminate the agreement without cause by providing not less than three months' written notice. In the event of a material breach of any of the terms of the agreement or serious misconduct, the Company can terminate Mr Nienaber's employment at any time without any compensation payable.

Mr Hannes van Dyk
Chief Financial Officer: IFMSA

Mr van Dyk entered into a service agreement with IFMSA on 1 December 2008, as Chief Financial Officer of IFMSA. Mr van Dyk is employed under a rolling contract. Under the terms of the present contract:

- Mr van Dyk is paid an annual salary of ZAR2,354,521.
- In respect of Mr van Dyk's service, an incentive payment of ZAR843,000 was accrued at 30 June 2011, with payment made in July 2011. Refer to STI structure for further details.
- Mr van Dyk was not granted any share options during the year ended 30 June 2011.
- Mr van Dyk was not granted any phantom options during the year ended 30 June 2011.
- The service contract may be terminated without cause by either party giving not less than 30 days' notice in writing, or by IFMSA paying Mr van Dyk his remuneration for such period in lieu of notice. IFMSA may also terminate the service contract without notice if Mr van Dyk is in breach of the service contract without making any compensation payable.

Remuneration and pension entitlements of Key Management Personnel

Table 2: Remuneration for the year ended 30 June 2011

	Fixed			
	Salary and fees ZAR	Leave accrued[2] ZAR	Other fees[3] ZAR	Termination payments[4] ZAR
Non-executive Directors				
Anthony Grey	2,181,750	–	–	–
Stephen Turner	1,500,274	–	–	–
Terence Willsteed	1,126,125	–	–	–
Stephen Oke	1,126,125	–	–	–
Tian Xia	851,584	–	–	–
John Ballard	953,670	–	–	–
Sub-total Non-executive Directors	**7,739,528**	**–**	**–**	**–**
Executive Directors				
David Kovarsky[1]	3,564,281	(17,819)	2,561,786	3,564,281
Xiaoping Yang[1]	2,212,308	17,012	–	–
Jannie Muller[1]	2,400,000	92,287	–	–
Sub-total Executive Directors	**8,176,589**	**91,480**	**2,561,786**	**3,564,281**
Other KMP				
Wimpie van Wyk[1]	2,905,000	72,071	–	–
Michael Lillja[1]	1,670,915	126,899	–	–
Maarten Nienaber[1]	2,580,000	229,691	–	–
Hannes van Dyk[1]	2,354,521	12,367	–	–
Sub-total other KMP	**9,510,436**	**441,028**	**–**	**–**
Total remuneration	**25,426,553**	**532,508**	**2,561,786**	**3,564,281**

[1] *Refer to Table 1 for details of the KMP position.*

[2] *These amounts represent movement in leave accruals during the year.*

[3] *Included in other fees is an amortised portion of Mr Kovarsky's retention fee which represents ZAR2,561,786.*

[4] *Termination payment for Mr Kovarsky was provided with payment due 31 August 2011.*

[5] *Includes superannuation payments and any voluntary fee sacrifice to superannuation.*

[6] *STI retention bonuses were approved during the 2011 financial year. Refer to the remuneration report for further details.*

[7] *Options are granted with certain vesting and exercise conditions, with the fair value recorded at each reporting date until it is settled, by using an option-pricing model. No options have been exercised or paid.*

Fixed	STI	LTI	Total			
Post-employment super-annuation[5] ZAR	Incentive payments[6] ZAR	Fair value of phantom options (cash settled)[7] ZAR	ZAR	Fixed %	STI %	LTI %
–	–	(436,822)	1,744,928	100	–	–
75,102	–	(436,822)	1,138,554	100	–	–
–	–	–	1,126,125	100	–	–
–	–	–	1,126,125	100	–	–
–	–	–	851,584	100	–	–
85,830	–	–	1,039,500	100	–	–
160,932	**–**	**(873,644)**	**7,026,816**			
–	–	(281,820)	9,390,709	100	–	–
–	–	(142,557)	2,086,763	100	–	–
–	–	(69,730)	2,422,557	100	–	–
–	**–**	**(494,107)**	**13,900,029**			
–	968,000	13,828	3,958,899	75	25	–
–	–	(19,834)	1,777,980	100	–	–
–	1,125,667	48,521	3,983,879	71	28	1
–	843,000	(79,864)	3,130,024	74	26	–
–	**2,936,667**	**(37,349)**	**12,850,782**			
160,932	**2,936,667**	**(1,405,100)**	**33,777,627**			

Remuneration and pension entitlements of Key Management Personnel

Table 3: Remuneration for the year ended 30 June 2010

	Fixed			
	Salary and fees[2] ZAR	Leave accrued[3] ZAR	Other fees[4] ZAR	Termination payments[5] ZAR
Non-executive Directors				
Anthony Grey	2,061,924	–	–	–
Stephen Turner	1,484,588	–	–	–
Terence Willsteed	1,151,215	–	–	–
Ian Watson	341,252	–	–	837,000
Stephen Oke	1,072,205	–	–	–
Tian Xia	824,783	–	–	–
John Ballard	243,745	–	–	–
Sub-total Non-executive Directors	**7,179,712**	**–**	**–**	**837,000**
Executive Directors				
David Kovarsky[1]	3,504,877	54,224	2,249,373	–
Xiaoping Yang[1]	2,175,437	79,982	–	–
Jannie Muller[1]	2,035,269	253,801	–	–
Sub-total Executive Directors	**7,715,583**	**388,007**	**2,249,373**	**–**
Other KMP				
Wimpie van Wyk[1]	1,400,000	134,592	600,000	–
Michael Lillja	738,374	78,073	–	–
Maarten Nienaber[1]	400,000	19,996	–	–
Sub-total other KMP	**2,538,374**	**232,661**	**600,000**	**–**
Total remuneration	**17,433,669**	**620,668**	**2,849,373**	**837,000**

Mr van Dyk did not meet the definition of a Key Management Person (KMP) for the 2010 financial year.
Mr Watson resigned on 12 November 2009.

[1] *Refer to Table 1 for details of the KMP position.*

[2] *Effective 1 May 2009 and until 31 August 2009, all KMP, including Board members, took a 10 percent voluntary reduction in salary.*

[3] *These amounts represent movement in leave accruals during the year.*

[4] *Included in other fees is an amortised portion of Mr Kovarsky's retention fee which represents ZAR2,249,373 and a consultancy fee of ZAR600,000 paid to Mr van Wyk as part of his employment contract.*

[5] *Termination payments have been made in accordance with individual employment contract.*

[6] *Includes superannuation payments and any voluntary fee sacrifice to superannuation.*

[7] *No STI bonuses were approved during the 2010 financial year, except for payment to Mr van Wyk as part of his employment contract.*

[8] *Options are granted with certain vesting and exercise conditions, with the fair value recorded at each reporting date until it is settled, by using an option-pricing model. No options have been exercised or paid.*

Fixed	STI	LTI	Total			
Post-employment super-annuation[6] ZAR	Incentive payments[7] ZAR	Fair value of phantom options (cash settled)[8] ZAR	ZAR	Fixed %	STI %	LTI %
–	–	679,677	2,741,601	76	–	24
–	–	679,677	2,164,265	69	–	31
–	–	–	1,151,215	100	–	–
–	–	–	1,178,252	100	–	–
–	–	–	1,072,205	100	–	–
–	–	–	824,783	100	–	–
21,937	–	–	265,682	100	–	–
21,937	**–**	**1,359,354**	**9,398,003**			
–	–	438,501	6,246,975	93	–	7
–	–	157,561	2,412,980	93	–	7
–	–	76,118	2,365,188	97	–	3
–	**–**	**672,180**	**11,025,143**			
–	295,000	52,811	2,482,403	86	12	2
–	–	21,370	837,817	97	–	3
–	–	–	419,996	100	–	–
–	**295,000**	**74,181**	**3,740,216**			
21,937	**295,000**	**2,105,715**	**24,163,362**			

Key Management Personnel: phantom options

Table 4: The following table sets out the details of phantom options granted and vested during the year by Key Management Personnel (consolidated)

		Terms and conditions for each grant			
30 June 2011	Balance at beginning of period 1 July 2010	Granted number of options[1]	Grant date	Options cancelled/ forfeited	Fair value per option Note 31
Non-executive Directors					
Anthony Grey	516,667	–	30/12/2008	–	£0.06
	516,667	–	30/12/2008	–	£0.06
	516,666	–	30/12/2008	–	£0.06
Stephen Turner	516,667	–	30/12/2008	–	£0.06
	516,667	–	30/12/2008	–	£0.06
	516,666	–	30/12/2008	–	£0.06
Terence Willsteed	–	–	–	–	–
Ian Watson	–	–	–	–	–
Stephen Oke	–	–	–	–	–
Tian Xia	–	–	–	–	–
John Ballard	–	–	–	–	–
Sub-total	**3,100,000**	**–**		**–**	
Executive Directors					
David Kovarsky	333,333	–	30/12/2008	–	£0.06
	333,333	–	30/12/2008	–	£0.06
	333,334	–	30/12/2008	–	£0.06
Xiaoping Yang	148,750	–	30/12/2008	–	£0.06
	148,750	–	30/12/2008	–	£0.06
	148,750	–	30/12/2008	–	£0.06
Jannie Muller	63,333	–	30/12/2008	–	£0.06
	63,333	–	30/12/2008	–	£0.06
	63,334	–	30/12/2008	–	£0.06
	20,000	–	30/09/2009	–	£0.01
	20,000	–	30/09/2009	–	£0.01
	20,000	–	30/09/2009	–	£0.01
Sub-total	**1,696,250**	**–**		**–**	

Terms and conditions for each grant					Exercisable	
Exercise price per option	Price cap per option	Expiry date	First available exercise date	Last available exercise date	Number of options	%
£0.16	£1.00	29/12/2013	30/12/2009	29/12/2013	516,667	33
£0.16	£1.00	29/12/2013	30/12/2010	29/12/2013	516,667	33
£0.16	£1.00	29/12/2013	30/12/2011	29/12/2013	–	–
£0.16	£1.00	29/12/2013	30/12/2009	29/12/2013	516,667	33
£0.16	£1.00	29/12/2013	30/12/2010	29/12/2013	516,667	33
£0.16	£1.00	29/12/2013	30/12/2011	29/12/2013	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
					2,066.668	
£0.16	£1.00	29/12/2013	30/12/2009	31/12/2011	333,333	33
£0.16	£1.00	29/12/2013	30/12/2010	31/12/2011	333,333	33
£0.16	£1.00	29/12/2013	01/08/2011	31/12/2011	333,333	33
£0.16	£1.00	29/12/2013	30/12/2009	29/12/2013	148,750	33
£0.16	£1.00	29/12/2013	30/12/2010	29/12/2013	148,750	33
£0.16	£1.00	29/12/2013	30/12/2011	29/12/2013	–	–
£0.16	£1.00	29/12/2013	30/12/2009	29/12/2013	63,333	33
£0.16	£1.00	29/12/2013	30/12/2010	29/12/2013	63,333	33
£0.16	£1.00	29/12/2013	30/12/2011	29/12/2013	–	–
£0.57	£1.00	29/09/2014	30/09/2010	29/09/2014	20,000	33
£0.57	£1.00	29/09/2014	30/09/2011	29/09/2014	–	–
£0.57	£1.00	29/09/2014	30/09/2012	29/09/2014	–	–
					1,444,165	

Key Management Personnel: phantom options (continued)

Table 4: The following table sets out the details of phantom options granted and vested during the year by Key Management Personnel (consolidated) (continued)

		Terms and conditions for each grant			
30 June 2011	Balance at beginning of period 1 July 2010	Granted number of options[1]	Grant date	Options cancelled/ forfeited	Fair value per option Note 31
Other KMP					
Wimpie van Wyk	83,333	–	1/01/2010	–	£0.03
	83,333	–	1/01/2010	–	£0.03
	83,334	–	1/01/2010	–	£0.03
Michael Lillja	83,333	–	31/03/2010	(83,333)	£0.02
	83,333	–	31/03/2010	(83,333)	£0.02
	83,334	–	31/03/2010	(83,334)	£0.02
Maarten Nienaber	83,333	–	30/06/2010	–	£0.03
	83,333	–	30/06/2010	–	£0.03
	83,334	–	30/06/2010	–	£0.03
Hannes van Dyk	83,333	–	30/12/2008	–	£0.06
	83,333	–	30/12/2008	–	£0.06
	83,334	–	30/12/2008	–	£0.06
Sub-total	**1,000,000**	**–**		**(250,000)**	
Total	**5,796,250**	**–**		**(250,000)**	

[1] *These options were issued in accordance with the Phantom Option Plan (refer to LTI structure for further details).*

Terms and conditions for each grant					Exercisable	
Exercise price per option	Price cap per option	Expiry date	First available exercise date	Last available exercise date	Number of options	%
£0.31	£1.00	31/12/2014	31/12/2010	31/12/2014	83,333	33
£0.31	£1.00	31/12/2014	31/12/2011	31/12/2014	–	–
£0.31	£1.00	31/12/2014	31/12/2012	31/12/2014	–	–
£0.40	£1.00	30/03/2015	31/03/2011	30/03/2015	–	–
£0.40	£1.00	30/03/2015	30/03/2012	30/03/2015	–	–
£0.40	£1.00	30/03/2015	30/03/2013	30/03/2015	–	–
£0.34	£1.00	29/06/2015	30/06/2011	29/06/2015	83,333	33
£0.34	£1.00	29/06/2015	29/06/2012	29/06/2015	–	–
£0.34	£1.00	29/06/2015	29/06/2013	29/06/2015	–	–
£0.16	£1.00	29/12/2013	30/12/2009	29/12/2013	83,333	33
£0.16	£1.00	29/12/2013	30/12/2010	29/12/2013	83,333	33
£0.16	£1.00	29/12/2013	30/12/2011	29/12/2013	–	–
					333,332	
					3,844,165	

Key Management Personnel: phantom options (continued)

Table 5: The following table sets out the details of phantom options granted and vested during the year by Key Management Personnel (consolidated)

		Terms and conditions for each grant		
30 June 2010	Balance at beginning of period 1 July 2009	Granted number of options[1]	Grant date	Fair value per option Note 31
Anthony Grey	516,667	–	30/12/2008	£0.11
	516,667	–	30/12/2008	£0.11
	516,666	–	30/12/2008	£0.11
Stephen Turner	516,667	–	30/12/2008	£0.11
	516,667	–	30/12/2008	£0.11
	516,666	–	30/12/2008	£0.11
Terence Willsteed	–	–	–	–
Ian Watson	–	–	–	–
Stephen Oke	–	–	–	–
Tian Xia	–	–	–	–
John Ballard	–	–	–	–
Sub-total	**3,100,000**	**–**		
Executive Directors				
David Kovarsky	333,333	–	30/12/2008	£0.11
	333,333	–	30/12/2008	£0.11
	333,334	–	30/12/2008	£0.11
Xiaoping Yang	148,750	–	30/12/2008	£0.11
	148,750	–	30/12/2008	£0.11
	148,750	–	30/12/2008	£0.11
Jannie Muller	63,333	–	30/12/2008	£0.11
	63,333	–	30/12/2008	£0.11
	63,334	–	30/12/2008	£0.11
	–	20,000	30/09/2009	£0.03
	–	20,000	30/09/2009	£0.03
	–	20,000	30/09/2009	£0.03
Sub-total	**1,636,250**	**60,000**		
Other KMP				
Wimpie van Wyk	–	83,333	01/01/2010	£0.06
	–	83,333	01/01/2010	£0.06
	–	83,334	01/01/2010	£0.06
Michael Lillja	–	83,333	31/03/2010	£0.05
	–	83,333	31/03/2010	£0.05
	–	83,334	31/03/2010	£0.04
Maarten Nienaber	–	83,333	30/06/2010	£0.05
	–	83,333	30/06/2010	£0.05
	–	83,334	30/06/2010	£0.05
Sub-total	**–**	**750,000**		
Total	**4,736,250**	**810,000**		

Mr van Dyk did not meet the definition of a Key Management Person (KMP) for the 2010 financial year.

[1] *These options were issued in accordance with the Phantom Option Plan (refer to LTI structure for further details).*

Terms and conditions for each grant					Exercisable	
Exercise price per option	Price cap per option	Expiry date	First available exercise date	Last available exercise date	Number of options	%
£0.16	£1.00	29/12/2013	30/12/2009	29/12/2013	516,667	33
£0.16	£1.00	29/12/2013	30/12/2010	29/12/2013	–	–
£0.16	£1.00	29/12/2013	30/12/2011	29/12/2013	–	–
£0.16	£1.00	29/12/2013	30/12/2009	29/12/2013	516,667	33
£0.16	£1.00	29/12/2013	30/12/2010	29/12/2013	–	–
£0.16	£1.00	29/12/2013	30/12/2011	29/12/2013	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
					1,033,334	
£0.16	£1.00	29/12/2013	30/12/2009	29/12/2013	333,333	33
£0.16	£1.00	29/12/2013	30/12/2010	29/12/2013	–	–
£0.16	£1.00	29/12/2013	30/12/2011	29/12/2013	–	–
£0.16	£1.00	29/12/2013	30/12/2009	29/12/2013	148,750	33
£0.16	£1.00	29/12/2013	30/12/2010	29/12/2013	–	–
£0.16	£1.00	29/12/2013	30/12/2011	29/12/2013	–	–
£0.16	£1.00	29/12/2013	30/12/2009	29/12/2013	63,333	33
£0.16	£1.00	29/12/2013	30/12/2010	29/12/2013	–	–
£0.16	£1.00	29/12/2013	30/12/2011	29/12/2013	–	–
£0.57	£1.00	29/09/2014	30/09/2010	29/09/2014	–	–
£0.57	£1.00	29/09/2014	30/09/2011	29/09/2014	–	–
£0.57	£1.00	29/09/2014	30/09/2012	29/09/2014	–	–
					545,416	
£0.31	£1.00	31/12/2014	31/12/2010	31/12/2014	–	–
£0.31	£1.00	31/12/2014	31/12/2011	31/12/2014	–	–
£0.31	£1.00	31/12/2014	31/12/2012	31/12/2014	–	–
£0.40	£1.00	30/03/2015	31/03/2011	30/03/2015	–	–
£0.40	£1.00	30/03/2015	30/03/2012	30/03/2015	–	–
£0.40	£1.00	30/03/2015	30/03/2013	30/03/2015	–	–
£0.34	£1.00	29/06/2015	30/06/2011	29/06/2015	–	–
£0.34	£1.00	29/06/2015	29/06/2012	29/06/2015	–	–
£0.34	£1.00	29/06/2015	29/06/2013	29/06/2015	–	–
					–	**–**
					1,578,750	

Key Management Personnel: phantom options (continued)

30 June 2011

No phantom options were exercised by Key Management Personnel during the financial year ended 30 June 2011.

250,000 options were forfeited due to resignations during the financial year ended 30 June 2011.

30 June 2010

No phantom options were exercised by Key Management Personnel or forfeited during the financial year ended 30 June 2010.

Key Management Personnel: share options

30 June 2011

No share options were issued during the year ended 30 June 2011.

30 June 2010

No share options were issued during the year ended 30 June 2010.

30 June 2011

No share options were exercised during the year ended 30 June 2011 by Key Management Personnel.

30 June 2010

No share options were exercised during the year ended 30 June 2010 by Key Management Personnel.

Key Management Personnel shareholdings

Shareholdings of Key Management Personnel are detailed on pages 98 and 99 of this report.

Signed in accordance with a resolution of the directors.

Christiaan Jordaan
Director
Sydney
19 September 2011

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Auditors' independence declaration to the directors of International Ferro Metals Limited

In relation to our audit of the financial report of International Ferro Metals Limited for the financial year ended 30 June 2011, to the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Anton Ivanyi
Partner
19 September 2011

Liability limited by a scheme approved
under Professional Standards Legislation

CONSOLIDATED
INCOME STATEMENT

for the year ended 30 June 2011

	Note	Consolidated 2011 ZAR'000	2010 ZAR'000
Sales revenue	5	**1,575,459**	1,433,595
Cost of goods sold		**(1,619,398)**	(1,424,817)
Gross profit/(loss)		**(43,939)**	8,778
Other (expenses)/income			
Other income	6	**78,353**	2,000
Administrative and other expenses	7	**(113,032)**	(88,934)
Foreign exchange (losses)		**(14,924)**	(15,340)
Write down of inventory to net realisable value		**(43,247)**	(22,212)
Unabsorbed fixed costs		**(25,245)**	(2,577)
Share-based payment (expense)/income	10	**1,844**	(5,897)
Net (loss) before interest and tax		**(160,190)**	(124,182)
Finance income	11	**5,959**	13,506
Finance costs	11	**(59,856)**	(46,056)
Net (loss) before tax		**(214,087)**	(156,732)
Income taxation credit	12	**79,136**	70,926
Net (loss) after tax		**(134,951)**	(85,806)
Attributable to:			
Non-controlling interest	30	**(1,237)**	(1,214)
Owners of the parent		**(133,714)**	(84,592)
		(134,951)	(85,806)
Earnings per share (cents per share)			
– basic (loss) per share	13	**(24.14)**	(15.40)
– diluted (loss) per share	13	**(24.14)**	(15.40)

The above income statement should be read in conjunction with the notes to the financial report set out on pages 72 to 122.

CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
(Loss) for the period	**(134,951)**	(85,806)
Total comprehensive income for the period, net of tax	**(134,951)**	(85,806)
Attributable to:		
Non-controlling interests	**(1,237)**	(1,214)
Owners of the parent	**(133,714)**	(84,592)
	(134,951)	(85,806)

The above statement of comprehensive income should be read in conjunction with the notes to the financial report set out on pages 72 to 122.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	Consolidated					
	Contributed equity ZAR'000	Accumulated losses ZAR'000	Share-based payment reserve ZAR'000	Non-distributable reserve ZAR'000	Non-controlling interest ZAR'000	Total equity ZAR'000
At 1 July 2009	**2,814,380**	**(489,313)**	**8,272**	**(6,044)**	**1,817**	**2,329,112**
(Loss) for the period	–	(84,592)	–	–	(1,214)	(85,806)
Total comprehensive income for the period	–	(84,592)	–	–	(1,214)	(85,806)
Equity transactions:						
Shares issued	286,755	–	–	–	–	286,755
Transaction costs on share issue	(12,895)	–	–	–	–	(12,895)
At 30 June 2010	**3,088,240**	**(573,905)**	**8,272**	**(6,044)**	**603**	**2,517,166**
At 1 July 2010	**3,088,240**	**(573,905)**	**8,272**	**(6,044)**	**603**	**2,517,166**
(Loss) for the period	**–**	**(133,714)**	**–**	**–**	**(1,237)**	**(134,951)**
Total comprehensive income for the period	**–**	**(133,714)**	**–**	**–**	**(1,237)**	**(134,951)**
Equity transactions:						
Shares issued	–	–	–	–	–	–
Transaction costs on share issue	–	–	–	–	–	–
At 30 June 2011	**3,088,240**	**(707,619)**	**8,272**	**(6,044)**	**(634)**	**2,382,215**

The above statement of changes in equity should be read in conjunction with the notes to the financial report set out on pages 72 to 122.

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

at 30 June 2011

		Consolidated	
	Note	2011 ZAR'000	2010 ZAR'000
Assets			
Current assets			
Cash and cash equivalents	15	**67,482**	396,926
Trade and other receivables	16	**108,813**	230,031
Prepayments	17	**1,655**	4,792
Inventories	18	**376,756**	446,241
Total current assets		**554,706**	1,077,990
Non-current assets			
Deferred tax asset	12	**217,057**	138,094
Financial investments	19	**32,751**	13,946
Property, plant and equipment	20	**2,070,604**	1,962,028
Intangible assets	21	**124,450**	9,701
Other non-current assets	22	**11,431**	45,465
Total non-current assets		**2,456,293**	2,169,234
Total assets		**3,010,999**	3,247,224
Equity and liabilities			
Current liabilities			
Trade and other payables	23	**167,900**	273,353
Provisions	24	**52,519**	25,444
Interest-bearing loans and borrowings	25	**319,031**	–
Total current liabilities		**539,450**	298,797
Non-current liabilities			
Provisions	24	**31,656**	21,554
Interest-bearing loans and borrowings	25	**57,678**	409,707
Total non-current liabilities		**89,334**	431,261
Total liabilities		**628,784**	730,058
Net assets		**2,382,215**	2,517,166
Shareholders' equity			
Contributed equity	26	**3,088,240**	3,088,240
Share-based payment reserve	27	**8,272**	8,272
Accumulated losses	28	**(707,619)**	(573,905)
Non-distributable reserve	29	**(6,044)**	(6,044)
Parent entity interests		**2,382,849**	2,516,563
Non-controlling interests	30	**(634)**	603
Total shareholders' equity		**2,382,215**	2,517,166

The above statement of financial position should be read in conjunction with the notes to the financial report set out on pages 72 to 122.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2011

	Note	Consolidated 2011 ZAR'000	2010 ZAR'000
Cash flows from operating activities			
Receipts from customers		**1,698,369**	1,283,722
Payments and advances to suppliers and employees (inclusive of goods and services tax)		**(1,701,089)**	(1,505,489)
Phantom options exercised and paid		**(819)**	(2,250)
Tax refund/(paid) net of VAT adjustments		**970**	(707)
Interest paid		**(56,462)**	(43,728)
Net cash flows used in operating activities		**(59,031)**	(268,452)
Cash flows from investing activities			
Payments for property, plant and equipment		**(196,002)**	(229,346)
Payments for intangible assets		**(115,110)**	–
Sale of net profit interest – Phoenix		**77,288**	–
Interest received		**5,959**	13,506
Restricted cash deposits		**14,246**	(31,089)
Net cash flows used in investing activities		**(213,619)**	(246,929)
Cash flows from financing activities			
Proceeds from issues of shares		**–**	286,755
Proceeds from borrowings		**–**	340,435
Payment of share issue costs		**–**	(12,895)
Repayment of borrowings		**(41,685)**	(26,298)
Net cash flows (used in)/from financing activities		**(41,685)**	587,997
Net (increase)/decrease in cash held		**(314,335)**	72,616
Cash at the beginning of the financial year		**396,926**	340,089
Effects of exchange rate changes on cash		**(15,109)**	(15,779)
Cash and cash equivalents at the end of the year	15	**67,482**	396,926

The above statement of cash flows should be read in conjunction with the notes to the financial report set out on pages 72 to 122.

Reconciliation of operation (loss) to

CASH FLOWS FROM OPERATING ACTIVITIES

for the year ended 30 June 2011

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Loss from ordinary activities before income tax	**(214,087)**	(156,732)
Adjustments to reconcile profit before tax to net cash flow:		
Non-cash items:	**116,665**	123,615
Amortisation of retention fee	**2,562**	2,249
Amortisation of intangible asset	**361**	361
Amortisation of debt establishment costs	**333**	4,646
Adjustments to inventory provisions	**8,784**	–
Tribal participation loan	**1,769**	4,929
Decommissioning asset expense	**(8,584)**	6,420
Depreciation	**88,280**	65,328
Disposal of assets	**18,122**	–
Foreign exchange loss	**14,924**	15,340
Interest received/accrued	**(2,567)**	(11,178)
Inventory net realisable write down	**43,247**	22,212
Cost of product adjustments	**1,913**	(1,520)
Fair value adjustments	**(708)**	(481)
Share-based payment movements	**(1,844)**	5,897
Net profit interest – Phoenix	**(77,288)**	–
Increase in provisions	**27,361**	9,412
Working capital adjustments	**38,240**	(232,378)
Decrease/(increase) in receivables	**122,909**	(149,874)
Decrease/(increase) in inventories	**15,541**	(265,468)
Decrease/(increase) in prepayments	**576**	(778)
(Decrease)/increase in payables and accruals	**(100,786)**	183,742
Taxation paid	**970**	(707)
Phantom options paid	**(819)**	(2,250)
Net cash flow from operating activities	**(59,031)**	(268,452)

1 Corporate information

International Ferro Metals Limited (the Parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the London Stock Exchange, as of 1 September 2007. The Company previously traded on the Alternative Investment Market of the London Stock Exchange.

The financial report for the year ended 30 June 2011 was issued in accordance with a resolution of directors on 19 September 2011.

The principal activities of the Company are described on page 35.

2 Accounting policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value.

The financial report is presented in South African Rand and all values are rounded to the nearest thousand Rand (ZAR'000) unless otherwise stated.

Comparative information is reclassified where appropriate to enhance comparability.

As at the date of this report, the Company has drawn down ZAR400 million on the Bank of China working capital facility which is due to be repaid on 25 June 2012. The Board are progressing plans to renew the Bank of China facility before it expires. In addition, the Board is confident that the Company has additional avenues of funding available to it which could be used with forecast operating cash flows, to repay this facility should it not be renewed. For this reason, after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and hence continues to adopt the going concern basis in preparing the accounts.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(i) Accounting Standards and Interpretations issued but not yet effective

International Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2011. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.	1 January 2013	No material impact	1 July 2013

2 Accounting policies (continued)

(b) Statement of compliance (continued)

(i) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9 (continued)	Financial Instruments	- Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. - AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. - Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	No material impact	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	- These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement. - This Standard shall be applied when AASB 9 is applied.	1 January 2013	No material impact	1 July 2013

2 Accounting policies (continued)

(b) Statement of compliance (continued)

(i) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: - The definition now identifies a subsidiary and an associate with the same investor as related parties of each other. - Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other. - The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	No material impact	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	No material impact	1 July 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	No material impact	1 July 2011

2 Accounting policies (continued)

(b) Statement of compliance (continued)

(i) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: - Tier 1: Australian Accounting Standards - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: - For-profit entities in the private sector that have public accountability (as defined in this Standard) - The Australian government and state, territory and local governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: - For-profit private sector entities that do not have public accountability - All not-for-profit private sector entities - Public sector entities other than the Australian government and state, territory and local governments	1 July 2013	No material impact	1 July 2013
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: - Compliance with Australian Accounting Standards - The statutory basis or reporting framework for financial statements - Whether the financial statements are general purpose or special purpose - Audit fees - Imputation credits	1 July 2011	No material impact	1 July 2011

2 Accounting policies (continued)

(b) Statement of compliance (continued)

(i) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	No material impact	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 and 1038 and Interpretations 112, 115, 127, 132 and 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	No material impact	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 and AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	No material impact	1 July 2011

2 Accounting policies (continued)

(b) Statement of compliance (continued)

(i) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, and 1038 and interpretations 2, 5, 10, 12, 19 and 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: – The change attributable to changes in credit risk are presented in other comprehensive income (OCI) – The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	No material impact	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-depreciable Assets into AASB 112.	1 January 2012	No material impact	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amendments many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	No material impact	1 July 2011

2 Accounting policies (continued)

(b) Statement of compliance (continued)

(i) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	No material impact	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	No material impact	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	No material impact	1 July 2013

2 Accounting policies (continued)

(b) Statement of compliance (continued)

(i) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	No material impact	1 July 2013

* *Designates the beginning of the applicable annual reporting period unless otherwise stated*

(c) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by IFM at the end of the reporting period. The Company and its controlled entities together are referred to as the Group. The effects of all transactions between entities in the Group are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(d) Business combinations and goodwill

Business combinations from 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2 Accounting policies (continued)

(d) Business combinations and goodwill (continued)

Business combinations from 1 July 2009 (continued)

After initial recognition, goodwill is measured at the cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 30 June 2009

On the acquisition of a subsidiary, the purchase method of accounting is applied whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. Those mineral reserves and resources that are able to be reliably valued are recognised in the assessment of fair value on acquisition.

The cost of the business combination is the aggregate of: (a) the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquire; and (b) and cost directly attributable to the business combination.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable net assets.

If the fair value attributable to the Group's share of the identifiable net assets exceeds the fair value of the consideration, the Group reassessed whether it has correctly identified and measured the assets acquired and liabilities assumed and recognised any additional assets or liabilities that are identified in that review. If the excess remains after reassessment, the Group recognises the resulting gain in the income statement on the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(e) Revenue recognition

Revenue from the sale of goods is recognised when significant risks and rewards of the saleable product have transferred to the customer. Risks and rewards are considered passed to the customer upon delivery to the customer's control. This generally occurs when the product is physically transferred into a vessel, train, truck or other delivery mechanism.

Revenue from inventory sales is measured at the fair value of consideration received/receivable. Revenue is stated after deducting sales taxes, duties and levies.

For certain ferrochrome sales the price is determined on a provisional basis at the date of sale (free on board). Adjustments to the sale price may occur based on movements in the metal price up to the date of final pricing. Final pricing is based on contractual negotiations and is referred to the published ferrochrome price at the date of consumption by the relevant customers, adjusted for negotiated discounts. The period between provisional invoicing and final pricing is typically between one and two months. Revenue on provisional priced sales is initially recorded at the estimated fair value of the consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the characteristics of a commodity derivative. Accordingly the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value is recognised as an adjustment to revenue in the income statement and trade receivables in the balance sheet. In all cases fair value is determined with reference to latest available published ferrochrome prices.

Interest revenue is brought to account on an accrual basis using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend revenue is recognised when the Group's right to receive payment is established.

2 Accounting policies (continued)

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Receivables

Trade receivables, which are due for settlement no more than 30 days from the date of the final invoice, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for uncollectible amounts. The final invoice is issued once the product is received and final specification agreed by the customer. Collectibles of trade debtors are reviewed on an ongoing basis and a provision for non-recovery is made accordingly. Debts which are known to be uncollectible are written off. The difference between the carrying value of receivables and present value of the expected future cash flows are accounted for against the carrying value of receivables and as an interest charge. Fair value adjustments from commodity price sensitive sales are accounted for against the relevant receivables.

(h) Inventories

Inventories including raw materials, work in progress, consumables and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials – purchase cost assigned on a weighted average cost basis. The cost of purchase comprises the purchase price including import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities) transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Consumables and maintenance spares are valued at purchase cost on a first-in, first out basis.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs. Fixed cost attributable to non-operating units is expensed in the income statement.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale, including sales commissions.

(i) Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and any impairment. The carrying value of assets is reviewed for impairment at the balance sheet date. An asset is immediately written down to its recoverable amount if the carrying value of the asset exceeds its estimated recoverable amount.

The depreciation rates per annum for each class of fixed asset are as follows:

- Property and buildings: between 3.33% and 5%
- Plant and equipment: between 3.33% and 33.33%
- Motor vehicles: between 16.67% and 20%
- Furniture and fittings: 16.67%
- Computer equipment: 33.34%

Subsequent expenditure relating to an item of property, plant and equipment, that has already been recognised, is added to the carrying amount of the asset if the recognition criteria are met.

All assets are depreciated over their anticipated useful lives up to their residual values using a straight-line depreciation basis. These useful lives are determined on the day of capitalisation and are re-assessed annually by management.

Mineral rights that are being depleted are amortised over the estimated remaining life of mine, using the unit of production method based on proven and probable ore reserves. Land is not depreciated.

2 Accounting policies (continued)

(i) Property, plant and equipment (continued)

Currently the maximum life applied to components which are expected to last for the life of the plant is 27 years and the maximum residual value which has been applied to any component is 50% of the cost value.

Major maintenance and repairs

Expenditure on major maintenance re-builds or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group through an extended life the expenditure is capitalised. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset which is immediately written off. All other day-to-day maintenance costs are part of production cost.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable or at least on an annual basis.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amount.

(j) Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) or value added tax (VAT), except:

- where the amount of GST/VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of the asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST/VAT.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

2 Accounting policies (continued)

(l) Trade and other payables

Trade and other payables amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of invoice.

(m) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of the time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds specifically relating to the project.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 July 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 July 2009.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Environmental rehabilitation provisions

The estimated cost of rehabilitation, comprising liabilities for decommissioning and restoration is based on current legal requirements and existing technology and reassessed annually by management. The costs of the provisions do not take into account the potential proceeds from the sale of the assets at the end of their useful lives.

2 Accounting policies (continued)

(p) Provisions (continued)

Decommissioning

The discounted value of the estimated obligation to decommission, being the cost to dismantle all structures and rehabilitate the land that arose from establishing a mine or plant, is included in long-term provisions. The unwinding of the obligation is included in the income statement under finance costs. The initial related decommissioning asset is recognised as part of property, plant and equipment.

Restoration

The discounted value of the estimated obligation of restoration, being the cost to correct damages from ongoing operations, is included in long-term provisions. Management reviews the estimations on an annual basis and charges any movements directly in the income statement.

Environmental rehabilitation trust funds (for funding rehabilitation)

Monthly payments are made to the trust in accordance with a financial policy agreement. The investment in the trusts is carried as inter-company investments in each company. The trusts are fully consolidated as IFM is the only contributor to these trusts and exercises full control via the board of trustees.

The estimated costs of rehabilitating a mine are generally included in the capital cost of the mine. Changes in estimates of the liability are dealt with on a prospective basis.

(q) Share-based payment transactions

(i) Equity-settled transactions

The Group provides benefits to employees (including directors) of the Group and other service providers or strategic equity partners in the form of share-based payment transactions, whereby employees or other parties render services or provide goods in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an option pricing method.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of IFM (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects:
(i) the extent to which the vesting period has expired; and
(ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance sheet date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Where shares are issued at a discount to fair value either by reference to the current market price or by virtue of the Group providing financing for the share purchase on favourable terms, the value of the discount is considered a share-based payment.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2 Accounting policies (continued)

(q) Share-based payment transactions (continued)

(ii) Cash-settled transactions

The Group also provides benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of IFM.

The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the employees, which will be the fair value at settlement date.

The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

(i) at each reporting date between grant and settlement, the fair value of the award is determined;

(ii) during the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;

(iii) from the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date; and

(iv) all changes in the liability are recognised in profit or loss for the period.

The fair value of the liability is determined, initially and at each reporting date until it is settled. For the current financial year an option pricing model was applied, taking into account the terms and conditions on which the award was granted, and the extent to which employees have rendered service to date.

(r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Exploration and evaluation costs

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest; or
- alternatively, by its sale; or exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

(t) Foreign currency transactions

The functional currency of IFM and its subsidiaries is the South African Rand (ZAR) as this is the currency in which Group primarily generates and expends cash. The directors have chosen ZAR, being the Group's functional currency, as being the most appropriate currency in which to present the financial statements.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

2 Accounting policies (continued)

(t) Foreign currency transactions (continued)

All differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(u) Feasibility expenditure

Costs incurred relating to a feasibility study are expensed as incurred until the period in which management considers that a bankable feasibility study is complete and the Company decides to continue with the project. Following this time, costs directly related to the feasibility study are deferred as a non-current asset and will be amortised over the life of the plant or mine on a life of plant or units of production basis.

(v) Financial assets – initial recognition and subsequent measurement

Initial recognition and measurement

Financial assets are categorised as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the categorisation of its financial assets at initial recognition. Categorisation is re-evaluated at each financial year end. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by AASB 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet as fair value with gains or losses recognised in the income statement.

The Group has not designated any financial assets as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss recorded is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded is recognised in the income statement.

2 Accounting policies (continued)

(v) Financial assets – initial recognition and subsequent measurement (continued)

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset not transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2 Accounting policies (continued)

(v) Financial assets – initial recognition and subsequent measurement (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(w) Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) At fair value through profit and loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Options granted that are not part of a continuing share-based payment relationship (i.e. there is no ongoing provision of goods and/or services - refer to note 2(p) and are denominated in a currency other than the entity's functional currency, are accounted for as derivative liabilities in accordance with AASB 139: Financial Instruments: Recognition and Measurement and IFRIC guidelines. Such options are recorded on the balance sheet at fair value with movements in fair value between being recorded in the income statement. In respect of the derivative liability, the change in the fair value of the derivative liability, during the period and cumulatively, is not attributable to changes in the credit risk of that liability.

2 Accounting policies (continued)

(w) Financial liabilities (continued)

Subsequent measurement (continued)

(i) At fair value through profit and loss (continued)

In addition, contractual arrangements whereby the Company agrees to issue a variable number of shares are accounted for as a liability. To the extent that these contractual arrangements meet the definition of a derivative, the value of the contractual arrangement is recorded on the balance sheet at fair value with movements in fair value being recorded in the income statement.

(ii) Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the considerations received less directly attributable transaction cost. After initial recognition loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(x) Offsetting of financial instrument

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(y) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments that are not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 33.

(z) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) Hedge accounting and derivative financial instruments

Initial recognition and subsequent measurement

The Group may use derivative financial instruments such as forward currency contracts to hedge its foreign market risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not quality for hedge accounting and the ineffective portion of an effective hedge are taken directly to the income statement.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

2 Accounting policies (continued)

(aa) Hedge accounting and derivative financial instruments (continued)

Initial recognition and subsequent measurement (continued)

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributed to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement.

Cash flow hedges

The effective portion of the gain or loss in the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, of if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

Current versus non-current classification

Derivative instruments that are not a designated and effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond 12 months after the balance sheet date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

2 Accounting policies (continued)

(aa) Hedge accounting and derivative financial instruments (continued)

Current versus non-current classification (continued)

- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

(bb) Deferred stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis.

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs.

In such cases, the initial stripping (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Stripping costs incurred subsequently during the production stage of its operation are treated as part of production cost and carried in the value of the mined ore.

Deferred stripping costs are included as part of 'Mine development'. These form part of the total investment in the relevant cash-generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

(cc) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deduced from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in other capital reserves.

(dd) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(ee) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability or use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resource to complete the asset; and
- the ability to measure reliability the expenditure during development.

2 Accounting policies (continued)

(ee) Research and development costs (continued)

Following initial recognition of the development expenditure as an asset, the cost model applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset commences when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the cost of sales. During the period of development, the asset is tested for impairment annually.

(ff) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually (as at 30 June) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3 Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Significant accounting judgments

(a) Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. IFM estimates its mineral resources and ore reserves using the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the JORC code) as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

3 Significant accounting judgements, estimates and assumptions (continued)

(i) Significant accounting judgments (continued)

(a) Determination of mineral resources and ore reserves (continued)

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

(b) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

(c) Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes that could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

(d) Recoverability of deferred income tax assets

The Group recognises deferred income tax assets in respect of tax losses to the extent that it is probable that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted profits from operations and the application of existing tax laws. Future changes in profits resulting in estimated taxable income could impact on recognised or unrecognised deferred tax assets or liabilities.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(a) Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash-generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future exchange rates;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

3 Significant accounting judgements, estimates and assumptions (continued)

(ii) Significant accounting estimates and assumptions (continued)

(b) Provisions for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

(c) Valuation of share-based payments

The key estimates and assumptions used in the valuation of share-based payment plans are set out in note 2(q) and note 31.

(d) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(e) Production start date

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria includes, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form; and
- ability to sustain ongoing production of metal.

When a mine development project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capital costs related to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

(f) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4 Segment information

Identification of reportable segments

The Group has determined operating segments based on the information provided to the Board (Chief Operating Decision Maker).

The Group operates predominately in one business segment, being the mining and processing of chromite in South Africa and sale of ferrochrome. There is no material difference between the financial information presented to the Chief Operating Decision Maker and the financial information presented in this report.

4 Segment information (continued)

Sales revenue by geographic location

Revenue obtained from external customers is attributed to individual countries based on the location of the customer.

	Consolidated	
	2011 ZAR'000	**2010 ZAR'000**
Australia	**3,713**	–
China	**513,275**	269,353
Europe	**587,746**	784,710
South Africa	**161,864**	113,108
South Korea	**61,898**	49,822
Taiwan	**62,168**	35,018
Japan	**3,968**	–
United States of America	**180,827**	181,584
Total external revenue	**1,575,459**	1,433,595

Major customers

The Group received 70% (2010: 74%) of its external revenue from its China and European customers. During 2011 the Group received 49% (2010: 67%) of its external revenue from CMC Cometals and 39% (2010: 25%) from JISCO.

There are no additional customers which account for more than 10% of the Group's external revenues.

5 Sales revenue

	Consolidated	
	2011 ZAR'000	**2010 ZAR'000**
Sales revenue		
– Ferrochrome sales	**1,404,402**	1,385,528
– Fair value adjustments[(a)]	**(7,934)**	34,831
– Other sales[(b)]	**178,991**	13,236
	1,575,459	1,433,595

(a) *Fair value adjustments represent re-valuations performed on ferrochrome sales contracts for which the price is linked to future fluctuations in the published ferrochrome price until the day of consumption by the end customer (also refer to note 3(e)).*

(b) *Other sales relate to chrome ore sales.*

6 Other income

	Consolidated	
	2011 ZAR'000	**2010 ZAR'000**
Other income[(a)]	**78,353**	2,000
	78,353	2,000

(a) *Other income of ZAR77,288 relates to the sale of IFM's 25% net profit interest in the retreatment of the tailings dams and current arisings from IFM's existing chrome operations to Phoenix Platinum Mining (Pty) Ltd. The balance of other income of ZAR1,065 relates to profit on sale of assets and rental income received.*

7 Administrative and other expenses

	Consolidated	
	2011 ZAR'000	**2010 ZAR'000**
Accounting fees	**162**	175
Auditors' remuneration – external	**3,217**	2,187
Auditors' remuneration – internal	**1,336**	–
Consulting fees	**2,744**	16,690
Depreciation not in cost of goods sold	**864**	848
Research and development cost	**385**	1,830
Legal fees	**1,642**	1,513
Remuneration of Key Management Personnel (refer to note 8)	**35,183**	22,057
Staff costs (refer to note 9)	**33,006**	17,802
Loss on disposal of assets[(a)]	**16,954**	–
Fair value adjustments on financial assets	**(708)**	(481)
Other administrative expenses	**18,247**	26,313
	113,032	88,934

(a) *Loss on disposal of assets relates to impairment of the furnace roofs that were replaced.*

8 Remuneration of Key Management Personnel

(a) Details of Key Management Personnel

Please refer to page 45 for details of Key Management Personnel.

(b) Remuneration of Key Management Personnel

	Consolidated	
	2011 ZAR'000	**2010 ZAR'000**
Basic salary and fees	**25,959**	17,975
Incentive payments	**2,937**	295
Other fees*	**2,562**	2,928
Superannuation**	**161**	22
Termination payments	**3,564**	837
	35,183	22,057
Phantom option expense	**(1,385)**	2,106
Phantom options cancelled/forfeited	**(20)**	–
Total remuneration	**33,778**	24,163

* *Other fees represent costs for any additional work undertaken for the Company and retention fees paid.*
** *Superannuation represents payments made in respect of a defined contribution pension scheme.*

(c) Option holdings of Key Management Personnel (consolidated)

30 June 2011

No share options were issued during the year ended 30 June 2011.

30 June 2010

No share options were issued during the year ended 30 June 2010.

8 Remuneration of Key Management Personnel (continued)

(c) Option holdings of Key Management Personnel (consolidated) (continued)

The following table details phantom options issued during the year ended 30 June 2011.

30 June 2011	Balance at beginning of period 1 July 2010	Phantom options granted	Phantom options exercised	Phantom options cancelled/ forfeited	Balance at end of period 30 June 2011	Exercisable	Not exercisable
Non-executive Directors							
Anthony Grey	1,550,000	–	–	–	1,550,000	1,033,334	516,666
Stephen Turner	1,550,000	–	–	–	1,550,000	1,033,334	516,666
Terence Willsteed	–	–	–	–	–	–	–
Stephen Oke	–	–	–	–	–	–	–
Tian Xia	–	–	–	–	–	–	–
John Ballard	–	–	–	–	–	–	–
Executive Directors							
David Kovarsky	1,000,000	–	–	–	1,000,000	1,000,000	–
Xiaoping Yang	446,250	–	–	–	446,250	297,500	148,750
Jannie Muller	250,000	–	–	–	250,000	146,666	103,334
Other Key Management Personnel							
Wimpie van Wyk	250,000	–	–	–	250,000	83,333	166,667
Michael Lillja	250,000	–	–	(250,000)	–	–	–
Maarten Nienaber	250,000	–	–	–	250,000	83,333	166,667
Hannes van Dyk	250,000	–	–	–	250,000	166,666	83,334
Total	5,796,250	–	–	(250,000)	5,546,250	3,844,166	1,702,084

The following table details phantom options issued during the year end 30 June 2010.

30 June 2010	Balance at beginning of period 1 July 2009	Phantom options granted	Phantom options exercised	Balance at end of period 30 June 2010	Exercisable	Not exercisable
Non-executive Directors						
Anthony Grey	1,550,000	–	–	1,550,000	516,667	1,033,333
Stephen Turner	1,550,000	–	–	1,550,000	516,667	1,033,333
Terence Willsteed	–	–	–	–	–	–
Ian Watson	–	–	–	–	–	–
Stephen Oke	–	–	–	–	–	–
Tian Xia	–	–	–	–	–	–
John Ballard	–	–	–	–	–	–
Executive Directors						
David Kovarsky	1,000,000	–	–	1,000,000	333,333	666,667
Xiaoping Yang	446,250	–	–	446,250	148,750	297,500
Jannie Muller	190,000	60,000	–	250,000	63,333	186,667
Other Key Management Personnel						
Wimpie van Wyk	–	250,000	–	250,000	–	250,000
Michael Lillja	–	250,000	–	250,000	–	250,000
Maarten Nienaber	–	250,000	–	250,000	–	250,000
Total	4,736,250	810,000	–	5,546,250	1,578,750	3,967,500

8 Remuneration of Key Management Personnel (continued)

(d) Shareholdings of Key Management Personnel (consolidated)

30 June 2011	Balance at 1 July 2010 Ordinary shares	Granted as remuneration Ordinary shares	On exercise of options Ordinary shares	Shares sold Ordinary shares	Shares purchased Ordinary shares	Balance at end of period 30 June 2011 Ordinary shares
Non-executive Directors						
Anthony Grey[1]	1,266,667	–	–	–	200,000	1,466,667
Stephen Turner[2]	6,916,667	–	–	–	375,000	7,291,667
Terence Willsteed[3]	1,000,000	–	–	–	250,000	1,250,000
Stephen Oke	50,000	–	–	–	100,000	150,000
Tian Xia	166,667	–	–	–	–	166,667
John Ballard[4]	–	–	–	–	400,000	400,000
Executive Directors						
David Kovarsky	–	–	–	–	100,000	100,000
Xiaoping Yang	166,667	–	–	–	–	166,667
Jannie Muller	–	–	–	–	150,000	150,000
Other Key Management Personnel						
Wimpie van Wyk	–	–	–	–	–	–
Michael Lillja	–	–	–	–	–	–
Maarten Nienaber	–	–	–	–	–	–
Hannes van Dyk	–	–	–	–	–	–
Total	9,566,668	–	–	–	1,575,000	11,141,668

1 *Mr Grey's shareholding is held by Dalvin Pty Limited, a company of which Anthony Grey is a beneficial owner.*
2 *Mr Turner's shareholdings are held as follows: 4,141,667 ordinary shares by First Trustee Company, 2,775,000 ordinary shares by Guarantee Group Limited, 375,000 ordinary shares by Independent Nominee Corporation Pty Limited, each being entities of which Mr Turner has a partial beneficial interest.*
3 *Mr Willsteed's shareholding is held by Patermat Pty Limited as trustee for T.V. Willsteed & Associates Pty Limited Superannuation Fund through the association with Mineral Associated SA.*
4 *Mr Ballard's shareholding is held by Glen Bates Consulting Pty Limited as trustee for Bates Ballard Superannuation Fund.*

8 Remuneration of Key Management Personnel (continued)

(d) Shareholdings of Key Management Personnel (consolidated) (continued)

30 June 2010	Balance at 1 July 2009 Ordinary shares	Granted as remu-neration Ordinary shares	On exercise of options Ordinary shares	Shares sold Ordinary shares	Shares purchased Ordinary shares	Balance at end of period 30 June 2010 Ordinary shares
Non-executive Directors						
Anthony Grey[1]	1,266,667	–	–	–	–	1,266,667
Stephen Turner[2]	6,916,667	–	–	–	–	6,916,667
Terence Willsteed[3]	1,000,000	–	–	–		1,000,000
Ian Watson[4]	333,334	–	–	–	–	333,334
Stephen Oke	50,000	–	–	–	–	50,000
Tian Xia	166,667	–	–	–	–	166,667
John Ballard	–	–	–	–	–	–
Executive Directors						
David Kovarsky	–	–	–	–	–	–
Xiaoping Yang	166,667	–	–	–	–	166,667
Jannie Muller	–	–	–		–	–
Other Key Management Personnel						
Wimpie van Wyk	–	–	–	–	–	–
Michael Lillja	–	–	–	–	–	–
Maarten Nienaber	–	–	–	–	–	–
Total	9,900,002	–	–	–	–	9,900,002

1 *Mr Grey's shareholding is held by Dalvin Pty Limited, a company of which Anthony Grey is a beneficial owner.*

2 *Mr Turner's shareholdings are held as follows: 4,141,667 ordinary shares by Kin Yip International Limited and 2,775,000 ordinary shares by Guarantee Group Limited, both being companies of which Stephen Turner is a beneficial shareholder. Mr Turner only has a part interest in these shares.*

3 *Mr Willsteed's shareholding is held by Patermat Pty Limited as trustee for T.V. Willsteed & Associates Pty Limited Superannuation Fund through the association with Mineral Associated SA.*

4 *Mr Watson resigned on 12 November 2009.*

9 Staff costs (excluding remuneration of Key Management Personnel)

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Basic salary and fees	189,782	148,135
Superannuation*	102	115
Termination costs	3,885	6,133
Other costs**	17,959	14
	211,728	154,397
Less amounts included in inventories/cost of goods sold	(178,722)	(136,595)
	33,006	17,802

* *Superannuation represents payments made in respect of a defined contribution pension scheme.*
** *Other costs relate to retention bonus provisions.*

10 Share-based payment (expense)/income

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Phantom option (expense)/income	1,844	(5,897)
	1,844	(5,897)

Refer to note 31 for further details of the option plan.

11 Financing income and costs

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Interest income	5,959	13,506
Interest expense, comprising:	(59,856)	(46,056)
Finance cost	(6,921)	(5,653)
– Amortisation of debt establishment costs	(5,444)	(4,646)
– Unwinding of discount on rehabilitation provision	(1,477)	(1,007)
Interest charges	(52,935)	(40,403)
– Interest on debt financing	(32,168)	(18,326)
– Interest on sales financing	(10,413)	(14,052)
– Interest on finance leases	(7,323)	(8,019)
– Interest paid – other	(3,031)	(6)
Net finance (costs)	(53,897)	(32,550)

12 Income tax

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Income tax expense		
Current income tax charge:	(173)	515
Adjustment in respect of income tax of previous year	(1,443)	(16,817)
Deferred income tax relating to origination and reversal of temporary differences	(77,520)	(54,624)
Income tax (credit) recorded in income statement	(79,136)	(70,926)
Loss from ordinary activities before income tax expense	(214,087)	(156,732)
At parent entity statutory tax rate of 30%:	(64,226)	(47,020)
Overseas tax rate differential	3,694	1,978
Income not taxable	(26,087)	(26,087)
Expenses not deductible for tax purposes	3,840	2,817
Deferred tax assets not recognised	5,086	14,203
Adjustment in respect of current income tax of previous year	(1,443)	(16,817)
Aggregate income tax (credit)	(79,136)	(70,926)
Deferred income tax liability		
Property plant and equipment, including unredeemed capital expenditure	42,657	70,785
Debtors and prepayments	2,579	1,338
Other payables	747	1,007
Total deferred tax liability	45,983	73,130
Deferred income tax asset		
Provisions	(12,059)	(3,557)
Finance lease payments	(17,181)	(18,682)
Share option charges	(672)	(942)
Loss available for offset against future income	(224,292)	(182,529)
Rehabilitation provisions, claimable in future	(8,836)	(5,514)
Total deferred tax (asset)	(263,040)	(211,224)
Net deferred tax (asset)	(217,057)	(138,094)
Calculated taxation losses		
The Group has recognised a net deferred tax asset of ZAR217 million as it is probable this will be fully utilised in future, as the Group expects to generate future taxable profits based on current forecasts. IFM has unrecognised tax losses of ZAR164 million (2010: ZAR94 million) in relation to the parent entity.		
Unredeemed mining capital expenditure		
Unredeemed mining capital expenditure available for offset against future mining taxable income	1,740,040	1,522,521

13 Earnings per share

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Basic loss per share (cents per share)	**(24.14)**	(15.40)
Diluted loss per share (cents per share)	**(24.14)**	(15.40)
Earnings used in calculating basic earnings per share (ZAR'000)	**(133,714)**	(84,592)
Earnings used in calculating diluted earnings per share (ZAR'000)	**(133,714)**	(84,592)
	Shares	**Shares**
Weighted average number of ordinary shares on issue in calculation of basic and diluted earnings per share	**554,008,047**	549,442,047

14 Dividends paid and proposed

The Board resolved not to declare a dividend for the year ended 30 June 2011 (2010: nil).

15 Cash and cash equivalents

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Cash at bank and on hand	**41,810**	138,726
Short-term deposits	**25,672**	258,200
	67,482	396,926

16 Trade and other receivables

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Trade debtors[(a)]	**56,074**	203,874
Outstanding tax refunds[(b)]	**50,225**	25,334
Other debtors	**2,514**	823
	108,813	230,031

(a) Trade debtors relate to the sale of ferrochrome and chrome ore. Payment terms are 30 days from date of final invoice.
(b) Tax refunds relate to the relevant Goods and Services Tax and Value Added Tax refunds owing in Australia and South Africa.

Details of the terms and conditions of receivables are discussed in detail under note 33.

The carrying value of trade and other receivables is assumed to approximate the fair value due to the short-term nature of the trade and other receivables.

17 Prepayments

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Prepaid retention fee	**1,000**	3,562
Prepaid stewardship costs	**325**	300
Prepaid other	**330**	930
	1,655	4,792

18 Inventories

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Consumable stores at net realisable value (2010: net realisable value)	**22,842**	21,043
Ore stock at net realisable value (2010: net realisable value)	**130,126**	143,955
Raw materials at net realisable value (2010: at net realisable value)	**63,705**	146,644
Finished goods at net realisable value (2010: at net realisable value)	**160,083**	134,599
	376,756	446,241

19 Financial investments

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Investment in rehabilitation trust[(a)]	**32,751**	13,946
	32,751	13,946

[(a)] *These financial assets consist of investment portfolios which are managed by various financial institutions in favour of a rehabilitation trust. The funds can only be applied to relevant rehabilitation expenditure.*
The fair value of these financial instruments has been estimated by the financial institutions using a variety of valuation techniques. These financial instruments are classified as a level 2 in the fair value hierarchy as their fair values have been estimated using inputs other than quoted prices that are observable for the assets, either directly or indirectly.

20 Property, plant and equipment

Consolidated 2011	Cost ZAR'000	Accumulated depreciation ZAR'000	Net book value ZAR'000
Mineral rights and reserves[a]	157,287	(6,606)	150,681
Land and buildings	50,521	(3,270)	47,251
Decommissioning asset	22,549	(1,440)	21,109
Plant and equipment	1,566,171	(204,866)	1,361,305
Leased plant and equipment	91,447	(13,659)	77,788
Mine development	339,111	(28,622)	310,489
Computer equipment	11,937	(8,019)	3,918
Furniture and fittings	4,889	(3,387)	1,502
Capital work in progress[b]	90,210	–	90,210
Vehicles	10,235	(5,835)	4,400
Leased vehicles	7,555	(5,604)	1,951
Total	2,351,912	(281,308)	2,070,604

Consolidated 2011	Carrying value at beginning of year ZAR'000	Disposals ZAR'000	Adjustments[c] ZAR'000	Additions ZAR'000	Depreciation ZAR'000	Carrying value at end of year ZAR'000
Mineral rights and reserves[a]	151,824	–	–	–	(1,143)	150,681
Land and buildings	31,478	–	16,597	–	(824)	47,251
Decommissioning asset	3,038	–	16,142	2,819	(890)	21,109
Plant and equipment	1,187,061	(17,149)	259,540	–	(68,147)	1,361,305
Leased plant and equipment	81,871	–	(1,088)	–	(2,995)	77,788
Mine development	217,634	(962)	99,676	3,075	(8,934)	310,489
Computer equipment	3,471	(10)	1,939	13	(1,495)	3,918
Furniture and fittings	1,724	–	107	–	(329)	1,502
Exploration costs	15,785	–	(15,785)	–	–	–
Capital work in progress[b]	259,443	–	(378,303)	209,070	–	90,210
Vehicles	5,170	–	967	–	(1,737)	4,400
Leased vehicles	3,529	–	208	–	(1,786)	1,951
Total	1,962,028	(18,121)	–	214,977	(88,280)	2,070,604

20 Property, plant and equipment (continued)

Consolidated 2010	Cost ZAR'000	Accumulated depreciation ZAR'000	Net book value ZAR'000
Mineral rights and reserves[a]	157,287	(5,463)	151,824
Land and buildings	34,263	(2,785)	31,478
Decommissioning asset	3,249	(211)	3,038
Plant and equipment	1,334,775	(147,714)	1,187,061
Leased plant and equipment	92,535	(10,664)	81,871
Mine development	237,460	(19,826)	217,634
Computer equipment	8,351	(4,880)	3,471
Leased computer equipment	1,651	(1,651)	–
Furniture and fittings	4,782	(3,058)	1,724
Exploration costs	15,785	–	15,785
Capital work in progress[b]	259,443	–	259,443
Vehicles	9,383	(4,213)	5,170
Leased vehicles	7,347	(3,818)	3,529
Total	2,166,311	(204,283)	1,962,028

Consolidated 2010	Carrying value at beginning of year ZAR'000	Disposals ZAR'000	Adjust-ments[c] ZAR'000	Additions ZAR'000	Depre-ciation ZAR'000	Carrying value at end of year ZAR'000
Mineral rights and reserves[a]	149,121	–	–	–	2,703	151,824
Land and buildings	31,530	–	749	–	(801)	31,478
Decommissioning asset	1,620	–	1,524	–	(106)	3,038
Plant and equipment	1,196,598	–	41,602	–	(51,139)	1,187,061
Leased plant and equipment	83,000	–	–	3,980	(5,109)	81,871
Mine development	150,205	–	74,254	–	(6,825)	217,634
Computer equipment	4,159	–	1,155	–	(1,843)	3,471
Leased computer equipment	652	–	–	–	(652)	–
Furniture and fittings	1,528	–	1,004	–	(808)	1,724
Exploration costs	15,802	–	(17)	–	–	15,785
Capital work in progress[b]	152,403	–	(121,007)	228,047	–	259,443
Vehicles	6,097	–	736	–	(1,663)	5,170
Leased vehicles	5,436	–	–	–	(1,907)	3,529
Total	1,798,151	–	–	232,027	(68,150)	1,962,028

(a) *Mineral rights and reserves of ZAR61million relating to the Sky Chrome deposit is held in Purity Metals Holdings Limited (Purity), a wholly owned subsidiary of the Group. IFM acquired the shares in Purity for US$9 million on 16 December 2005. For accounting purposes Purity is treated as a subsidiary of the Company. Purity owns 80% of the Sky Chrome project, a ferrochrome resource located adjacent to the Buffelsfontein plant. The purchase price has been allocated to the value of the Sky Chrome Mineral Resource. There has been no impact on the income statement subsequent to acquisition.*
On 23 November 2010, Sky Chrome's new order mining licence was approved by the Department of Minerals Resources (DMR). Open pit mining operations commenced at Sky Chrome during June 2011.

(b) *Capital work in progress relates to capital costs incurred for the expansion of the Group's associated infrastructure.*

(c) *The adjustment to plant and equipment relate to reallocation of capital work in progress to the various assets.*

Property, mineral rights and plant and equipment of IFMSA have been pledged as security for the working capital facility provided by Bank of China (refer to note 25 for further details).

21 Intangible assets

	Consolidated		
	Licence fees[a] ZAR'000	UG2 assets[b] ZAR'000	Total ZAR'000
30 June 2010			
At 1 July 2009 net of accumulated amortisation	10,062	–	10,062
Additions	–	–	–
Amortisation	(361)	–	(361)
At 30 June 2010 net of accumulated amortisation	9,701	–	9,701
Cost (gross carrying amount)	10,837	–	10,837
Accumulated amortisation	(1,136)	–	(1,136)
Net carrying amount	9,701	–	9,701
30 June 2011			
At 1 July 2010 net of accumulated amortisation	**9,701**	**–**	**9,701**
Additions	**–**	**115,110**	**115,110**
Amortisation	**(361)**	**–**	**(361)**
At 30 June 2011 net of accumulated amortisation	**9,340**	**115,110**	**124,450**
Cost (gross carrying amount)	**10,837**	**115,110**	**125,947**
Accumulated amortisation	**(1,497)**	**–**	**(1,497)**
Net carrying amount	**9,340**	**115,110**	**124,450**

(a) *Licence fees relate to the fees paid for the use of patented technology.*

(b) *In February 2010 the Company concluded and announced a UG2 ore supply agreement with Rustenburg Platinum Mines Limited (RPM), a subsidiary of Anglo Platinum Limited. Under the agreement IFM will fund the construction of a chrome retreatment plant (CRP) to extract chrome concentrate from RPM's UG2 concentrator tailings. The CRP will be owned, maintained and operated by RPM. The contract has a 10-year life commencing on the construction start date and entitles IFM to 15,000 tonnes of concentrate per month from the commissioning date, at no additional cost other than the cost of transporting the concentrate to its facilities at Buffelsfontein and any government royalties that may be payable. The asset constitutes progress payments for the right to receive UG2 ore in the future.*

22 Other non-current assets

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Restricted cash[a]	**8,109**	44,306
Deposits	**3,322**	1,159
	11,431	45,465

(a) *Restricted cash represents cash set aside for bank guarantees provided by Standard Bank to the DMR for environmental rehabilitation.*

23 Trade and other payables

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Sundry creditors and accruals	15,050	68,200
Trade creditors	122,839	196,505
Short-term portion of finance lease liability[a]	3,682	8,349
Other creditors and accruals[b]	26,329	299
	167,900	273,353

[a] *Refer to note 35.*
[b] *Other creditors and accruals represent advance debtor payments.*

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

24 Provisions

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Current provisions		
Employee entitlements[a]	47,109	19,748
Share-based payment liability[c]	5,255	6,338
Taxation	155	(642)
	52,519	25,444
Employee entitlements		
Opening balance	19,748	9,608
Provision recognised during the year	39,789	13,577
Provision utilised during the year	(12,428)	(3,437)
Closing balance	47,109	19,748
Phantom options		
Opening balance	6,338	3,154
Cash-settled share-based payment expense	(82)	5,774
Effect of foreign exchange	(182)	(340)
Phantom options exercised and paid during the year	(819)	(2,250)
Closing balance	5,255	6,338
Income tax		
Opening balance	(642)	(351)
Provision recognised during the year	571	515
Income tax paid during the year	226	(806)
Closing balance	155	(642)

24 Provisions (continued)

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Non-current provisions		
Decommissioning and restoration[(b)]	**31,559**	19,692
Share-based payment liability[(c)]	**97**	1,862
	31,656	21,554
Decommissioning and restoration		
Opening balance	**19,692**	10,741
Additional provision recognised during the year:		
– Recorded in property, plant and equipment	**18,974**	1,524
– Unwinding of discount	**1,477**	1,007
– Adjustment in provision assumptions	**(8,584)**	6,420
Closing balance	**31,559**	19,692
Phantom options		
Opening balance	**1,862**	2,566
Cash-settled share-based payment expense	**(1,762)**	123
Reallocation from payables	**–**	(728)
Effect of foreign exchange	**(3)**	(99)
Closing balance	**97**	1,862

(a) *The provision for employee entitlements represents accrued annual leave liabilities, retention bonus and other employee provisions. It is expected that these costs will be paid in the next financial year.*

(b) *The provision for decommissioning and restoration represents management's estimate of the restoration and exit costs associated with the integrated mining and ferrochrome smelting facility at Buffelsfontein and Sky Chrome. It is expected that these costs will be incurred at the end of the operations/mine life. Due to the long-term nature of the liability the greatest uncertainty in estimating the provision is the costs that will be ultimately incurred. The provision has been calculated using a pre-tax discount rate of 7.5%.*

(c) *The Phantom Share Option Scheme options are treated as 'cash-settled' share-based payments in accordance with the accounting policy described in note 2(q).*

25 Interest-bearing loans and borrowings

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Current interest-bearing loans and borrowings		
Bank debt[(a)]	315,000	–
Debt establishment costs and accrued interest[(a)]	(2,667)	–
Other loans[(c)]	6,698	–
	319,031	–
Non-current interest-bearing loans and borrowings		
Bank debt[(a)]	–	350,000
Debt establishment costs and accrued interest[(a)]	–	(3,596)
Long-term portion of finance lease liability[(b)]	57,678	58,374
Other loans[(c)]	–	4,929
	57,678	409,707

(a) Working capital facility
On 29 June 2009 the Company entered into a working capital facility agreement with the Bank of China for an amount of ZAR500 million. The initial drawdown currency split will be 60% in USD and 40% in ZAR. The facility interest is charged at USD:LIBOR plus 1.5% on the USD portion of the loan while the ZAR portion of the loan is charged at the JIBAR rate plus 1.9%. The term of the facility is 36 months and will expire on 25 June 2012. The parent company, IFML, guarantees the facility on behalf of IFMSA. The entire balance sheet of IFMSA is pledged as collateral for the loan facility. Bank of China has the option to cancel the loan facility and call upon any balance outstanding in the event of a material deterioration in the financial position of IFMSA.
The above Bank of China working capital facility will expire on 25 June 2012 and hence the amount due under this facility has been classified as current liability. The Company maintains regular dialogue with Bank of China and the Board is confident that this facility will be renewed in the current financial year.

(b) Finance leases
The weighted average effective interest rate on finance leases is 12.02%.

(c) Other loans
The loan constitutes the 20% tribal participation of funding provided to Sky Chrome by IFM. The loan is interest free and payable before earning distributions are made.

Undrawn loan facilities at 30 June 2011, excluding debtors discounting facilities, amounted to ZAR185 million (2010: ZAR150 million).

Fair value

The carrying values of each class of interest-bearing loans and borrowings approximates their fair value.

26 Contributed equity

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Movement in ordinary shares on issue		
Opening balance	3,088,240	2,814,380
Issue of ordinary shares[(a)]	–	286,755
Share placement costs	–	(12,895)
Closing balance	3,088,240	3,088,240

	Shares	Shares
Opening balance	554,008,047	503,643,680
Issue of ordinary shares	–	50,364,367
Closing balance	554,008,047	554,008,047

26 Contributed equity (continued)

30 June 2011 – No ordinary shares were issued during the year.

The details of ordinary shares issued during the year ended 30 June 2010 are as follows:

Period	Description of share issue	Number of shares issued	Share price	Proceeds (local currency)	Proceeds (ZAR'000)
30 June 2010	Placement of shares	50,364,367	£0.44	£22,160,321	286,755

(a) *On 3 August 2009 IFM announced that it had raised £22.2 million (ZAR286 million) (before expenses) through the placing by Numis Securities Limited of 50,364,367 new ordinary shares with certain existing shareholders including JISCO and new institutional investors at 44 pence per share. The proceeds were used principally to fund the investment in the CDM-compliant electricity co-generation plant.*

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options

No options over ordinary shares were granted and exercised during the years ended 30 June 2011 and 30 June 2010.

JISCO has certain non-dilution rights under the Subscription Agreement, which apply if an option is exercised, to require JISCO to be offered and issued ordinary shares at the same exercise price at which such options are exercised to enable JISCO to maintain its guaranteed holding of 26.1% of the issued ordinary shares of the Company. These non-dilution rights are accounted for as a derivative liability. Since JISCO's shareholding is above 26.1%, under the Subscription Agreement, IFM is not obliged to offer JISCO shares in terms of the anti-dilution clause, unless the issue would dilute JISCO's ownership below 26.1%.

Capital management

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

Capital is defined as total shareholders' equity which represented ZAR2.4 billion at 30 June 2011 (2010: ZAR2.5 billion).

The Board and management regularly review the Company's capital structure using a detailed cash flow model. They assess the adequacy of the capital structure against the major variables impacting the Group's profitability.

As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders or issue new shares to reduce debt. Should a strategic acquisition be assessed, management may issue further shares on the market.

The Company has complied with all externally imposed capital requirements.

27 Share-based payment reserve

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Opening balance	**8,272**	8,272
Share-based payment expense	–	–
Closing balance at the end of the year	**8,272**	8,272

28 Accumulated losses

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Opening balance at the start of the year	**(573,905)**	(489,313)
After tax (loss)/profit attributable to the equity holders of the parent during the year	**(133,714)**	(84,592)
Closing balance at the end of the year	**(707,619)**	(573,905)

29 Non-distributable reserve

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Opening balance	**(6,044)**	(6,044)
Acquisition of non-controlling interest	**–**	–
Closing balance at the end of the year	**(6,044)**	(6,044)

The non-distributable reserve relates to the transaction that took place to reduce the non-controlling interest shareholding.

30 Non-controlling interest

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Opening balance at the start of the year	**603**	1,817
(Loss) attributable to the non-controlling interest during the year	**(1,237)**	(1,214)
Closing balance at the end of the year	**(634)**	603

31 Share-based payments

Cash-settled options

The fair value of the outstanding phantom options is estimated as at the financial reporting date using a Binomial model taking into account the terms and conditions upon which the options were granted.

	2011	2010
Expected volatility[a] (%)	**72.88%**	75.86%
Risk-free interest rate range (%)	**0.58% – 2.90%**	0.52% – 2.21%
Option exercise price (GBP)	**£0.16 – £0.57**	£0.16 – £0.57
Expected dividend yield range	**0% – 18.5%**	0% – 14.8%
Option cap	**£1.00**	£1.00
Exercise multiple	**4**	4

(a) The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Share price volatility is re-assessed at each reporting period based on historical share prices. The current volatility is based on actual volatility since the listing of the Company in September 2005.

31 Share-based payments (continued)

Phantom Share Option Plan

During the year 634,416 options were exercised, 645,000 options were issued with various exercise prices and 486,000 options were cancelled due to resignations. At 30 June 2011 the total number of options outstanding was 10,450,125 with an amortised liability value of ZAR5.4 million.

The estimated fair value of each phantom option tranche at reporting date is:

Exercise price	Number of options	Fair value at reporting date Tranche 1	Fair value at reporting date Tranche 2	Fair value at reporting date Tranche 3
£0.1600	8,177,125	£0.06	£0.06	£0.06
£0.1800	32,000	£0.05	£0.05	£0.05
£0.2200	287,000	£0.04	£0.04	£0.04
£0.2900	315,000	£0.04	£0.03	£0.03
£0.3100	416,000	£0.03	£0.03	£0.03
£0.3400	726,000	£0.03	£0.03	£0.03
£0.4000	354,000	£0.02	£0.02	£0.02
£0.4122	72,000	£0.02	£0.02	£0.02
£0.5700	71,000	£0.01	£0.01	£0.01
Total	**10,450,125**			

The total number of phantom options issued during the relevant periods are as follows:

	30 June 2011		30 June 2010	
Phantom options	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance at the start of the year	**10,925,541**	**£0.18**	9,929,568	£0.15
Granted during the period	**645,000**	**£0.26**	2,056,000	£0.35
Forfeited/cancelled during the year	**(486,000)**	**£0.32**	(163,000)	£0.16
Exercised during the period	**(634,416)**	**£0.28**	(897,027)	£0.38
Closing balance at the end of the year	**10,450,125**	**£0.17**	10,925,541	£0.18

The weighted average share price for the year ended 30 June 2011 is £0.25.

The weighted average remaining contractual life of the above outstanding options is 2.82 years.

No equity share options were issued during the years ended 30 June 2011 and 30 June 2010.

32 Parent entity information

Information relating to IFM:	2011 ZAR'000	2010 ZAR'000
Current assets	69,196	242,814
Total assets	2,388,462	2,525,640
Current liabilities	3,506	4,048
Total liabilities	6,247	8,474
Issued capital	3,088,240	3,088,240
Accumulated losses	(714,297)	(579,346)
Share-based payment reserve	8,272	8,272
Total shareholders' equity	2,382,215	2,517,166
Loss of the parent entity	(134,951)	(85,806)
Total comprehensive income of the parent entity	(134,951)	(85,806)
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries[a]	500,000	500,000
Details of other financial assets[b]	2,310,444	2,273,692

(a) *On 29 June 2009 the Company entered into a working capital facility agreement with the Bank of China for an amount of ZAR500 million of which ZAR315 million was drawn down as at 30 June 2011. The facility interest is charged at USD:LIBOR plus 1.5% on the USD portion of the loan while the ZAR portion of the loan is charged at the JIBAR rate plus 1.9%. The term of the facility is 36 months. The parent company, IFML, guarantees the facility on behalf of IFMSA. The entire balance sheet of IFMSA is pledged as collateral for the loan facility.*

(b) *The following table represents details of other financial assets:*

Information relating to IFM:	2011 ZAR'000	2010 ZAR'000
Investment in subsidiaries at cost	2,203,601	1,967,601
Provision for diminution[c]	(588,814)	(389,566)
Net investment in subsidiaries	1,614,787	1,578,035
Receivable from Jefferson Investments Limited[d]	695,657	695,657
	2,310,444	2,273,692

(c) *This provision has arisen as a result of losses incurred by subsidiary companies during the current financial year.*

(d) *IFML purchased a preference share from Jefferson Capital, a member of a UK financial institution, for ZAR695 million. Simultaneously, IFMSA issued a debenture to Morgan Stanley for ZAR695 million. The debenture was secured against the preference shares. On 25 September 2008, the Board resolved to restructure IFMSA financing arrangements to extinguish IFML's exposure to Morgan Stanley counterparty risk as disclosed in the Annual Financial Statement for the year ended 30 June 2009. The coupon on both the preference shares and the debenture is 12.5% compounded semi-annually in arrears. The debenture term ends on 25 January 2016. The Group is entitled to set off the preference share and the debenture, as such, these items have been set off in the consolidated balance sheet.*

(e) *The parent entity has no contingent liabilities, nor does it have any contractual commitments for the acquisition of property, plant or equipment.*

33 Financial risk management and objectives

The Group's overall financial risk management strategy is to seek to ensure that the Group is able to fund its business operations and expansion plans.

Exposure to foreign currency risk, interest rate risk, commodity price risk, credit risk, liquidity risk and share price risk arises in the normal course of the Group's business. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign exchange rates, interest rates, and commodity prices. During the period under review the Group entered into certain forward exchange contracts (FEC) in order to hedge against fluctuating exchange rates.

The following table displays the financial instruments held at the end of the year:

Financial assets and liabilities by categories

At 30 June 2011 Consolidated	Loans and receivables ZAR'000	Held to maturity investments ZAR'000	At fair value through profit and loss ZAR'000	Financial liabilities measured at amortised cost ZAR'000	Other financial assets and liabilities ZAR'000	Total ZAR'000
Recognised financial assets						
Cash and cash equivalents (note 15)	–	25,672	–	–	41,810	67,482
Trade and other receivables (note 16)	108,813	–	–	–	–	108,813
Deposits (note 22)	3,322	–	–	–	–	3,322
Restricted cash (note 22)	–	8,109	–	–	–	8,109
Other financial investments (note 19)	–	–	32,751[1]	–	–	32,751
Total recognised financial assets	112,135	33,781	32,751	–	41,810	220,477
Recognised financial liabilities						
Trade and other payables (note 23)	–	–	–	(167,900)	–	(167,900)
Interest-bearing liabilities (note 25)	–	–	–	(376,709)	–	(376,709)
Total recognised financial liabilities	–	–	–	(544,609)	–	(544,609)
Unrecognised financial liabilities						
Un-drawn loan facilities (note 25)	–	–	–	(185,000)	–	(185,000)
Total unrecognised financial liabilities	–	–	–	(185,000)	–	(185,000)

33 Financial risk management and objectives (continued)

Financial assets and liabilities by categories (continued)

At 30 June 2010 Consolidated	Loans and receivables ZAR'000	Held to maturity investments ZAR'000	At fair value through profit and loss ZAR'000	Financial liabilities measured at amortised cost ZAR'000	Other financial assets and liabilities ZAR'000	Total ZAR'000
Recognised financial assets						
Cash and cash equivalents (note 15)	–	258,200	–	–	138,726	396,926
Trade and other receivables (note 16)	230,031	–	–	–	–	230,031
Deposits (note 22)	1,159	–	–	–	–	1,159
Restricted cash (note 22)	–	44,306	–	–	–	44,306
Other financial investments (note 19)	–	–	13,946[1]	–	–	13,946
Total recognised financial assets	**231,190**	**302,506**	**13,946**	**–**	**138,726**	**686,368**
Recognised financial liabilities						
Trade and other payables (note 23)	–	–	–	(273,353)	–	(273,353)
Interest-bearing liabilities (note 25)	–	–	–	(409,707)	–	(409,707)
Total recognised financial liabilities	**–**	**–**	**–**	**(683,060)**	**–**	**(683,060)**
Unrecognised financial liabilities						
Un-drawn loan facilities (note 25)	–	–	–	(150,000)	–	(150,000)
Total unrecognised financial liabilities	**–**	**–**	**–**	**(150,000)**	**–**	**(150,000)**

[1] *These financial assets consist of investment portfolios which are managed by various financial institutions. The fair value of these financial instruments have been estimated by the financial institutions using a variety of valuation techniques. These financial instruments are classified as a level 2 in the fair value hierarchy as their fair values have been estimated using inputs other than quoted prices that are observable for the assets, either directly or indirectly.*

For all feasibility assessments including expansion planning, raising of debt funding, evaluation of acquisition opportunities and corporate strategy, the Group uses various methods to measure the types of risk to which it is exposed. These methods include cash flow forecasting, sensitivity and breakeven analysis. The Group performs an ageing analysis for credit risk.

Treasury risk management is carried out by a central treasury function under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

33 Financial risk management and objectives (continued)

Financial assets and liabilities by categories (continued)

(i) Foreign currency risk

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities that are denominated in currencies other than the functional currency of each entity in the Group, which is South African Rand (ZAR). In order to hedge this foreign currency risk, the Group may enter into forward foreign exchange (FEC), foreign currency swaps and foreign currency option contracts. During the year the Group entered into FEC contracts in order to hedge against the fluctuations of the ZAR against the USD. The details of the FEC's are as follows:

FEC value – USD	FEC rate	Profit on FEC
US$77,555,064	ZAR/USD7.08	ZAR6,713,670

The above forward exchange contracts were used to manage transactional exposure and were not classified as cash flow, fair value or net investment hedges and are entered into for periods consistent with the currency transaction exposure. These derivatives do not qualify for hedge accounting and therefore profits and or losses resulting from the transactions were accounted for in the income statement. These instruments were fully settled at year end.

The following table represents the financial assets and liabilities denominated in foreign currencies:

	Foreign currency amount		Amount in ZAR		Rate of exchange	
Consolidated	**2011 '000**	**2010 '000**	**2011 ZAR'000**	**2010 ZAR'000**	**2011**	**2010**
Financial assets						
Cash and cash equivalents						
– US Dollar	1,384	9,298	9,384	70,758	ZAR/US$6.78	ZAR/US$7.61
– Euro	851	9,986	8,374	92,870	ZAR/€9.84	ZAR/€9.30
– UK Pound Sterling	26	3,713	284	42,514	ZAR/£10.93	ZAR/£11.45
– AU Dollar	647	2,809	4,710	18,399	ZAR/A$7.28	ZAR/A$6.55
Trade and other receivables						
– US Dollar	5,950	26,779	40,341	203,788	ZAR/US$6.78	ZAR/US$7.61
– AU Dollar	12	15	87	99	ZAR/A$7.28	ZAR/A$6.55
Financial liabilities						
Trade and other payables						
– Euro	–	8	–	74	ZAR/€9.84	ZAR/€9.30
– UK Pound Sterling	12	40	131	458	ZAR/£10.93	ZAR/£11.45
– AU Dollar	170	194	1,238	1,271	ZAR/A$7.28	ZAR/A$6.55

The Group had no foreign currency borrowings at year end (2010: nil).

33 Financial risk management and objectives (continued)

Financial assets and liabilities by categories (continued)

(i) Foreign currency risk (continued)

The following table demonstrates the estimated sensitivity to a 10% increase and decrease in the different exchange rates the Group is exposed to, with all other variables held constant, on a pre-tax basis. Equity is not affected by changes in foreign currency exchange rates.

	Consolidated	
Pre-tax profit higher/(lower)	2011 ZAR'000	2010 ZAR'000
ZAR/USD +10%	**4,972**	27,455
ZAR/USD - 10%	**(4,972)**	(27,455)
ZAR/EUR +10%	**837**	9,280
ZAR/EUR - 10%	**(837)**	(9,280)
ZAR/GBP + 10%	**15**	4,206
ZAR/GBP - 10%	**(15)**	(4,206)
ZAR/AUD + 10%	**356**	1,723
ZAR/AUD - 10%	**(356)**	(1,723)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group is exposed to interest rate movement through variable rate debt and interest-bearing investment of surplus funds. Other than for finance leases, the Group has undrawn borrowing facilities of ZAR185 million at year end (2010: ZAR 150 million).

The following table sets out the variable interest-bearing and fixed interest-bearing financial instruments of the Group:

	30 June 2011		30 June 2010	
Consolidated	Variable interest ZAR'000	Fixed interest ZAR'000	Variable interest ZAR'000	Fixed interest ZAR'000
Financial assets				
Cash equivalents	**67,482**	**–**	396,926	–
Restricted cash	**3,322**	**8,109**	1,159	44,306
Financial liabilities				
Interest-bearing liabilities (note 23 and 25)	**(312,333)**	**(57,678)**	(404,778)	(58,496)
Total	**(241,529)**	**(49,569)**	(6,693)	(14,190)

	Pre-tax loss higher/(lower)	
Consolidated	2011 ZAR'000	2010 ZAR'000
Interest rates +1%	**2,415**	67
Interest rates -1%	**(2,415)**	(67)

On 29 June 2009, the Company entered into a working capital facility with Bank of China for an amount of ZAR500 million. Since draw down of the funds commenced, the Group has maintained an interest rate structure which reduces the impact of rapidly increasing interest rates on projects. This has been done by alternating between one and three months JIBAR roll forward. This decision is reviewed at each treasury committee meeting.

33 Financial risk management and objectives (continued)

Financial assets and liabilities by categories (continued)

(iii) Commodity price risk exposure

The Group is exposed to the risk of fluctuations in prevailing market commodity prices of ferrochrome and coke. The price of ferrochrome has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Group's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of ferrochrome, and therefore the financial performance of the Group cannot accurately be predicted. However, the Group may enter into ferrochrome option contracts to manage its commodity price risk. To date these contracts have not been easily accessible and the Group has not entered into any of these agreements. The final trade receivables balance, where applicable, is adjusted to take into account any movements in the ferrochrome price.

(iv) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents (note 15), trade and other receivables (note 16) and financial instruments held by third parties (note 19). The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Due to the global demise in large reputable companies the Group has made use of bank issued letters of credit and has discounted certain of its debtors. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. A provision for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Doubtful debts are written off to the income statement. To date the Group has not been required to write off any significant debts.

Trade receivables

IFMSA has an off-take agreement with JISCO, the largest steel maker in north-west China. Under the terms of the agreement entered into in June 2005, JISCO agreed to purchase at least 120,000tpa of ferrochrome on a take-or-pay basis at a market related price dependant on IFM's sales to Europe. JISCO also agreed to act as agent for IFMSA to market ferrochrome in China, Taiwan, Japan and Korea.

In addition, IFMSA has a further off-take agreement with CMC Cometals, a division of Commercial Metals Company (CMC) to purchase 30,000tpa of ferrochrome, as well as 20,000tpa of ferrochrome fines, on a take-or-pay basis at a market related price. In addition, CMC acts as an exclusive agent selling the remainder of the Group's ferrochrome production outside JISCO's territories as identified above.

As a result of the off-take agreements most of the Group's trade receivables relate to sales made to JISCO and Co-Metals, presenting a counterparty concentration of risk. JISCO is a Chinese state-owned company and CMC is a New York Stock Exchange-listed metals trader with a market capitalisation of US$1.36 billion. IFMSA has the option of receiving a provisional payment from its offtake partners of up to 90% of the value of each shipment within 15 working days of any shipment. This provisional payment accrues interest by IFMSA. The balance due, which is payable up to six months later, is jointly determined by the offtake partners and IFMSA, based on actual prices, costs and factors that affect the landed price of each shipment. The Group does not hold any credit derivatives to offset its credit exposure, other than Letters of Credit. No impairment was recognised as IFM considers the offtake partners to be in a sound financial position. There are no receivables past due and considered impaired.

Cash and investments

The credit risk policy aims to ensure that the organisation is adequately protected against settlement risk for cash, investments and derivatives by transacting with reputable financial institutions with a minimum Fitch Ratings International long-term credit rating of A (or equivalent S&P or Moody's rating) and where applicable, within stated limits. It is noted that the Group is not envisaged to hold large cash balances for extended periods of time. At the balance sheet date, cash deposits were spread amongst a number of financial institutions to minimise the risk of default by counterparties.

Other receivables

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

33 Financial risk management and objectives (continued)

Financial assets and liabilities by categories (continued)

(iv) Credit risk (continued)

The following table sets out the financial assets that are exposed to credit risk:

	Consolidated	
	2011 ZAR'000	2010 ZAR'000
Financial assets		
Cash and cash equivalents	**67,482**	396,926
Receivables	**108,813**	230,031
Restricted cash and investments	**40,860**	59,411
Total	**217,155**	686,368

Set out below is an ageing analysis on the Group's trade receivables:

	Total ZAR'000	0-30 days ZAR'000	31-60 days PDNI* ZAR'000	61-90 days PDNI ZAR'000	91-120 days PDNI ZAR'000	120-150 days PDNI ZAR'000
2011						
Consolidated	**56,074**	**15,009**	**10,333**	**3,885**	**8,794**	**18,053**
2010						
Consolidated	203,874	168,393	5,797	3,953	21,131	4,600

* *Past due not impaired (PDNI)*

None of the consolidated or parent trade and other receivables are considered past due or impaired.

Credit terms for customers and agents are 30 days from the date of the final invoice. The final invoice is issued once the product is received (average time between product being delivered FOB and to time received by customer is between three to four months) and final specification agreed by the customer. Debtors sales are recognised, in accordance with AASB 118 Revenue, when risks and rewards transfer. The long shipment lead time between BOL date and final invoice date may move certain debtors into the PDNI category. Sales are recognised on 'free on board' or 'at-port'.

(v) Liquidity risk

Liquidity risk is the risk that there will be inadequate funds available to meet financial commitments as they fall due. The Group recognises the ongoing requirement to have committed funds in place to cover both existing business cash flows and reasonable headroom for cyclical debt fluctuations, and capital expenditure programmes. The key funding objective is to ensure the availability of flexible and competitively priced funding from alternative sources to meet the Group's current and future requirements. The Group utilises a detailed cash flow model to manage its liquidity risk.

The Group attempts to accurately project the sources and uses of funds, whereby a framework for decision making is established which increases the effectiveness and efficiency with which the treasury function operates.

The Group's approach is to develop long-term relationships with a core group of quality banks. The benefit of this approach is to establish a high degree of confidence and commitment between the parties so that banks are prepared to meet funding requirements at crucial times and at short notice.

The table below summarises the maturity profile of the Company's contractual cash flow financial liabilities at 30 June 2011 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

33 Financial risk management and objectives (continued)

Financial assets and liabilities by categories (continued)

(v) Liquidity risk (continued)

As at 30 June 2011	On demand ZAR'000	Less than 3 months ZAR'000	3 to 12 months ZAR'000	1 to 5 years ZAR'000	Over 5 years ZAR'000	Total ZAR'000
Trade and other payables	–	164,218	–	–	–	164,218
Finance leases	–	1,091	2,591	6,102	51,576	61,360
Loans	6,699	1,916	315,000	–	–	323,615
Total liabilities	6,699	167,225	317,591	6,102	51,576	549,193

As at 30 June 2010	On demand ZAR'000	Less than 3 months ZAR'000	3 to 12 months ZAR'000	1 to 5 years ZAR'000	Over 5 years ZAR'000	Total ZAR'000
Trade and other payables	–	265,004	–	–	–	265,004
Finance leases	–	2,087	6,262	5,454	52,920	66,723
Loans	–	1,321	–	350,000	4,929	356,250
Total liabilities	**–**	**268,412**	**6,262**	**355,454**	**57,849**	**687,977**

Future interest charges are not included in the above table. Refer to note 25 and note 35 for further details.

34 Post-balance sheet events

The following events occurred after the year ended 30 June 2011:

- Subsequent to 30 June 2011, the Company has increased its draw down of the Bank of China working capital facility to ZAR400 million.
- Installation of both furnace roofs have been completed successfully, and the Company switched in the furnaces successfully on 30 July 2011 and 2 September 2011 respectively. The first furnace is operating at full load and the second furnace is expected to ramp up to full load by mid-October. The roof upgrade has been completed on time and within budget.
- First delivery of ore has been received at the IFM plant from the new mining operations at Sky Chrome.
- Mr Kovarsky resigned as CEO on 31 July 2011 and Mr Jordaan was appointed as CEO with immediate effect.

No other material matters or circumstances have arisen since 30 June 2011 that have significantly affected or may significantly affect:

- the Company's operations in future financial years; or
- the result of those operations in future financial years; or
- the Company's state of affairs in future financial years.

35 Commitments and contingencies

Capital commitments

	Consolidated 2011 ZAR'000	Consolidated 2010 ZAR'000
Contracted for	**82,342**	89,593
Authorised but not contracted for	**137,682**	44,332
	220,024	133,925

- Contractual obligations relate mainly to the furnace roof rectification and upgrade programme of ZAR67 million and ad-hoc capital expenditure of ZAR15 million.
- Other large non-capital projects include the UG2 pre-payments of ZAR46 million.

Finance lease commitments

The minimum lease payments under finance lease arrangements are set out in the following table:

	Consolidated 2011 ZAR'000	Consolidated 2010 ZAR'000
Within 1 year	**10,493**	15,567
Between 1 and 5 years	**37,737**	37,910
Greater than 5 years	**107,424**	114,829
Total future lease payments	**155,654**	168,306
Less: future finance charges	**(94,294)**	(101,583)
Lease liability	**61,360**	66,723
Represented by:		
Current lease liability	**3,682**	8,349
Non-current lease liability	**57,678**	58,374
Lease liability	**61,360**	66,723
The present values of lease payments under finance lease arrangements are set out in the following table:		
Within 1 year	**3,682**	8,349
Between 1 and 5 years	**6,102**	5,454
Greater than 5 years	**51,576**	52,920
Lease liability	**61,360**	66,723

Contingent liabilities

There were no contingent liabilities outstanding at 30 June 2011.

36 Related party transactions

Loans to directors and director-related entities

No loans have been granted to directors and/or director-related entities.

Refer to the audited remuneration report for details of remuneration and arrangements with Key Management Personnel.

The parent company is due management fees of ZAR6.8 million from its subsidiary company International Ferro Metals SA (Pty) Limited. Related party transactions exist between the companies within the Group.

JISCO owns 29.10% (2010: 29.10%) of the parent company's shares. Sales made to JISCO totalled 80,628 tonnes and were made in terms of the off-take agreement which was entered into at arm's length. The value of sales made to JISCO during the year amounted to ZAR623 million.

37 Interest in subsidiaries

The Company has the following direct/indirect material interests in subsidiaries:

Name	Country of incorporation	Ownership interest 2011	Ownership interest 2010	Investment
International Ferro Metals SA (Pty) Limited	South Africa	**99.375%**	99.375%	ZAR338 million
Purity Metals Holdings Limited	British Virgin Islands	**100%**	100%	USD9 million
Sky Chrome Mining (Pty) Limited	South Africa	**80%**	80%	ZAR800
International Ferro Metals SA Holdings (Pty) Limited	South Africa	**100%**	100%	ZAR1.2 billion

38 Auditors' remuneration

	Consolidated 2011 ZAR	Consolidated 2010 ZAR
Amounts received or due and receivable by Ernst & Young Australia for:		
(i) an audit or review of the financial report of the entity and any other entity in the consolidated entity	**1,067,090**	860,319
(ii) other assurances	**–**	–
Total received by Ernst & Young Australia	**1,067,090**	860,319
Amounts received or due and receivable by Ernst & Young South Africa for:		
(i) an audit or review of the financial report of any other entity in the consolidated entity	**1,996,980**	1,276,800
(ii) other assurance services	**100,000**	–
(iii) taxation services	**53,350**	49,956
Total received by Ernst & Young South Africa	**2,150,330**	1,367,756
Closing balance	**3,217,420**	2,187,075

DIRECTORS'
DECLARATION

In accordance with a resolution of the directors of International Ferro Metals Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b);

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

On behalf of the Board

Christiaan Jordaan
Director
Sydney
19 September 2011

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Independent audit report to members of International Ferro Metals Limited

Report on the financial report

We have audited the accompanying financial report of International Ferro Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b) the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditors' responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but do not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the Company a written Auditors' Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of International Ferro Metals Limited is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

Report on the remuneration report

We have audited the remuneration report of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of International Ferro Metals Limited for the year ended 30 June 2011 complies with Section 300A of the Corporations Act 2001.

Ernst & Young

Anton Ivanyi
Partner
19 September 2011

Liability limited by a scheme approved
under Professional Standards Legislation

Notes

CORPORATE INFORMATION

ABN 31 099 355 790

This annual report covers International Ferro Metals Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011. The functional currency of each entity in the Group and the presentation currency of the Group is South African Rand (ZAR).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 35 to 44. The directors' report is not part of the financial report.

Directors

C C Jordaan (appointed 1 August 2011)

D C Kovarsky (resigned 31 July 2011)

X Yang

J F J Muller

A J Grey

S J Turner

T V Willsteed

S D Oke

T Xia

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